

013069

JPRS 82162

4 November 1982

19980825 153

# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2334



**FBIS**

FOREIGN BROADCAST INFORMATION SERVICE

REPRODUCED BY  
NATIONAL TECHNICAL  
INFORMATION SERVICE  
U.S. DEPARTMENT OF COMMERCE  
SPRINGFIELD, VA. 22161

5  
72  
A04

#### NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

#### PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

4 November 1982

EAST EUROPE REPORT  
ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2334

## CONTENTS

## INTERNATIONAL AFFAIRS

CEMA 'Time Horizon' of Nineties Outlined  
(Miroslav Cerny; HOSPODARSKE NOVINY, 17 Sep 82)..... 1

## GERMAN DEMOCRATIC REPUBLIC

Increased Support for Private Artisans, Tradesmen Urged  
(Irene Falconere; WIRTSCHAFTSWISSENSCHAFT, Sep 82)..... 8

Trade Agreements Announced Following 1982 Leipzig Fall Fair  
(AW-DDR-AUSSENWIRTSCHAFT, 15 Sep 82)..... 24

## HUNGARY

Profit's Role in Investment Credit Should Increase  
(Laszlo Weoros; FIGYELO, 30 Sep 82)..... 30

Study Reveals Slow Pace of Industrial Modernization  
(Jozsef Nyers; FIGYELO, 23 Sep 82)..... 34

World Market Conditions Foiling Beef Cattle Export Program  
(Geza Rasko, Pal Szajko; FIGYELO, 23 Sep 82)..... 39

## POLAND

Realism in Economic Planning Urged  
(Mieczyslaw Nasilowski; ZYCIE GOSPODARCZE, 19 Sep 82) ... 44

Role of Investments in Long Range Planning Assessed  
(Teresa Gornicka; ZYCIE GOSPODARCZE, 12 Sep 82)..... 51

Labor Reform in Enterprises Reviewed  
(Miroslaw Bunta; ZYCIE GOSPODARCZE, 29 Aug 82) ..... 58

YUGOSLAVIA

Official Fears Hesitation in Turning Economy Around  
(Zvone Dragan Interview; NEDELJNE INFORMATIVNE  
NOVINE, 3 Oct 82) ..... 62

CEMA 'TIME HORIZON' OF NINETIES OUTLINED

Prague HOSPODARSKE NOVINY in Czech 17 Sep 82 p 3

[Article by Eng Miroslav Cerny, CSci, State Planning Commission: "Time Horizon of the Nineties--New Trends in CEMA Planning"]

[Text] Development of efforts toward coordination of plans for national economies in the period beyond 1985 may seem premature from the chronological viewpoint. This contention is also borne out by the fact that economies of CEMA member countries are carrying out the second-year tasks of their 5-year plans and, thus, also obligations accepted by the countries in coordination of plans for their national economy in the years 1981-1985. On the other hand, the conspicuous changes occurring in the world's economy and the trend of current political development call for dealing within CEMA with selected topical problems of economic, scientific and technological cooperation without delay to warrant the impact of its results on the coming period or, eventually, help meet the objectives of 5-year plans for the period 1981-1985. It appears at the same time that some basic problems, particularly those pertaining to the long-term development of the economies of CEMA countries and of the entire socialist community require an expeditious search for new forms and possibilities for their solution that would adequately meet current and future, internal as well as external conditions.

On the basis of a thorough analysis of the present internal and external conditions for the development of the economies of CEMA member countries and of the results attained in economic, scientific and technological cooperation among CEMA countries, Comrade Leonid Brezhnev proposed from the forum of the 26th CPSU Congress that "life itself dictates the objective--to complete coordination of the plans for coordination of economic policy as a whole. The topical agenda also includes such problems as further rapprochement of structures of economic mechanisms, continued development of direct contacts between ministries, associations and enterprises which participate in cooperation and establishment of joint companies. There are also other potential forms for combining our strengths and resources."

This initiative was supported at the occasion of the 16th CPCZ Congress by Comrade Gustav Husak by stating in his address: "Our party endorses an early meeting of key representative of fraternal socialist countries which would deal with basic problems of coordination of economic policy, and stands ready to promote its full success by its contribution."

#### International Planning Documentation

We consider supplementing of coordination plans for economic policy coordination to represent a new stage in improving the methods and forms of cooperation in planning efforts. In this context, it involves the gradual process which was progressing in the seventies after adoption of the Complex Program for Further Intensification and Improvement of Cooperation and Development of Socialist Economic Integration of CEMA Member Countries. The results of those efforts was working out and approval of the Agreed Plans for Multilateral Integration Measures of CEMA Member Countries for the years 1976 through 1980 and 1981-1985.

These agreed-upon plans became planning documents into which are incorporated the most significant projects for multilateral economic, scientific and technological cooperation worked out and agreed upon in the course of coordination of 5-year plans for the national economy. From this aspect they supplement and provide direct followup to coordination of plans for the national economy.

The agreed-upon plan provides for a limited number of integration measures as a linkage between cooperation in planning efforts and national economy planning. The mentioned linkage is provided by the adopted principle that integration measures incorporated into the agreed-upon plan (and the obligations ensuing from it for individual countries) will be planned and implemented within these countries in national plans through independent parts of the plans for the national economy. In this manner, momentous integration measures of a multifaceted character are implemented in CEMA member countries' plans for their national economy, namely in the area of research, development, investments, production and marketing. The result is international reconciliation and interlinkage, coordinated cooperation and approach to implementation of integration measures.

The role of the agreed-upon plan as an international planning document in the system of forms and methods of cooperation in planning efforts and its authority as an instrument of planning are constituted by two basic facts. As a consequence of approval of the agreed-upon plan at the level of the highest CEMA organ--which is the Council Plenum--this document becomes in its own way a directive for implementation of integration measures. Another aspect is the manner of its compilation which is based on obligations accepted by member countries in negotiated agreements regarding economic, scientific and technological cooperation.

The next stage in the process of improving cooperation in planning became long-term goal-oriented programs for cooperation (DCPS) that were approved by the 22nd and 23rd Council Plenum. It involves a long-term goal-oriented program for cooperation in:

--meeting economically justified needs of CEMA member countries for basic types of energy, fuels and raw materials;

--continued improvement of cooperation in agriculture and in the food industry with the objective of providing maximum meeting of needs of the populace for food products;

--the area of machining and machine building;

--meeting of legitimate needs of CEMA member countries for industrial consumer goods;

--development of transportation communications.

These programs represent the long-term strategy of CEMA in the specific branches and propose specific measures toward their implementation. The goal-oriented concept is also tied to the length of time for which they were worked out. In view of the demanding nature of implementation of larger developmental and structural concepts, the year 1990 was accepted as the chronological horizon, and in energy problems considerations extend as far as the year 2000.

#### Coordination Program

Supplementing coordination of plans by coordination of economic policy is viewed as another stage in development of cooperation in the area of planning after adoption of the Complex Program and as an effort for rendering economic, scientific and technological cooperation among CEMA member countries more intensive and efficient. In our opinion, supplementing coordination of plans by coordination of economic policy could be oriented primarily toward intensification of mutual economic relations among CEMA member countries; adaptation of the economies of CEMA member countries to new internal and external conditions; transition of economic of CEMA member countries to economic development based on intensification factors; mutual adaptation of the production structures of CEMA member countries and, thus, lessening their dependence on advanced capitalist countries.

This concerns primarily those areas in which such dependence could lead to economic or, eventually, political abuse. Of equal importance is intensification of cooperation in devising systemic and legal prerequisites leading to improvements in the mechanism of socialist economic integration in those areas which affect participation of countries and their economic organizations in international division of labor and socialist economic integration.

It is envisioned that problems of coordination of economic, scientific and technological policy and further progress in this area will, in view of their importance, will become a subject for the agenda of economic consultations on the highest party and governmental level, the preparations for which began at the initiative of the CPSU voiced at the 26th Congress by C. Leonid Brezhnev.

Coordination of plans for the national economies and the entire process of coordination for the period beyond 1985 will require, on the basis of prior experience, a period of approximately 3 years for implementation of mutual coordination efforts on a multilateral as well as bilateral basis. Therefore, the Program for Coordination of Plans for the National Economies of CEMA Member Countries for the Years 1986-1990 was worked out in the framework of the CEMA Committee for Cooperation in Planning and was discussed and approved at the 36th Council Plenum, which took place in June of the current year.

The coordination program is a methodical organizational document in which are stipulated the basic methodological provisions for coordination of plans and the progress and deadlines for coordination of plans. The coordination program will be supplemented in the first half of 1983 by a listing of multilaterally coordinated problems in economic, scientific and technological cooperation for the years 1986-1990 and for the long-term outlook.

In the basic organizational and methodological provisions, coordination of plans supplemented by coordination of economic policy is still regarded as one of the key forms of economic cooperation among CEMA member countries.

Even though the orientation and thematic contents of economic policy, as has already been mentioned, will be determined at a later time, the program of coordination points out selected areas in which an impact by this form of cooperation would be desirable. For that reason the coordination program specifies that supplementing coordination of the plan by coordination of economic policy should promote:

- implementation of basic objectives of social and economic development promulgated in programs of communist and workers parties of CEMA member countries;
- joint establishment of concepts for international socialist division of labor with a view to natural and economic conditions and resources;
- effective and balanced development of the national economy of each country and of CEMA as a whole;
- gradual transition of the economies of CEMA member countries to a path of intensive development;
- creation of indispensable prerequisites for dealing with basic problems of further intensification of cooperation among CEMA member countries and development of socialist economic integration;
- reinforcing cooperation in planning efforts and their orientation toward dealing with long-term problems of cooperation;
- develop production capacities on the basis of coordinated investments;

- improving financial foreign-exchange relations and other economic conditions for mutual economic, scientific and technological cooperation;
- stabilizing the position of CEMA member countries in the world's economy, reinforcing their export potential and increasing effectiveness of exports;
- implementing coordination of 5-year plans on the basis of an agreed-upon strategy for long-term economic development.

#### Objectives and Tasks

Among the key objectives and tasks toward which coordination of plans for the national economies for the years 1986-1990 will be oriented are primarily intensive cooperation in production, science and technology, further rapprochement of the economies of CEMA member countries and improvement in the efficiency and further intensification of social production. First of all, it is imperative to focus attention on accelerating the process of viable structural changes in the economy and implementing improved utilization of the scientific, technological and production base toward successful accomplishment of comprehensive programs in scientific and technological cooperation. Equally indispensable is providing for long-term meeting of justified and salutary needs of the national economy in regard to energy, fuel and raw materials, maximum utilization of own resources, all-round economy, timely implementation of measures for joint preparation and exploitation of natural resources in CEMA member and third-world countries, and reinforcing the logistical base in the fuel and energy sectors. Also among the top priorities is meeting the needs of the populace in regard to agricultural, food and consumer products.

Organization of optimum concentration of production in individual branches and types of production, multilateral and bilateral coordination of investment construction (effective utilization of existing production capacities) and cooperation in transportation should also become a subject for coordination. It stands to reason that this also involves increased mutual exchange of goods and adopting of effective measures toward achieving a balance in mutual trade and payments, gradual elimination of unwarranted importation of raw materials and technology from capitalist countries.

A sine qua non for increasing the effectiveness and improving the process in coordination of plans for the national economies is its interlinkage with other forms of cooperation in planning, particularly those that are to provide the initial data base for development of coordination efforts. In this context is involved primarily utilization of the results of jointly worked out prognoses and mutual consultations regarding basic problems of economic, scientific and technological policy. These should provide a base of information for determination of specific problems of cooperation dealt with on a multilateral and bilateral basis within the framework of coordination of the plans for the national economies. Appropriate measures have been specified in the program of coordination in this direction.

In addition, the coordination program emphasizes interface between coordination of plans with coordination of the development of science and technology. It specifies the organs carrying out coordination of plans and lists the procedural principles for selection of problems for multilateral coordination of plans. It also formulates the orientation for coordination of investments and prescribes the forms for concluding coordination of plans.

#### Positive Changes

Even though it is envisioned that the program for coordination of plans for the years 1986-1990 will be supplemented at a later time by an area regarding coordination of economic policy, it includes some provisions and measures that represent positive supplements and changes in comparison to the preceding coordination periods.

A substantially greater emphasis is placed on extending the chronological horizon for coordination efforts. This stress ensues not only from methodological and organizational provisions, but is primarily due to the fact that selection of problems for multilateral coordination of plans is to be carried out simultaneously for the period 1986-1990 as well as for the long-range outlook. In analogy, also bilateral coordination of plans is to include the period 1986-1990 and, in the case of selected problems, also the long-term outlook.

Extension of the chronological horizon for coordination of plans in the case of selected problems is one of the prerequisites for more effective collaboration, particularly in the area of development of production capacities and coordination of investment construction. In the past period, there have been some problems in this area which became reflected in imbalanced providing for the needs of the partnership in certain sectors, particularly in the processing industry. At the same time, there was some duplicity in development of production capacities in CEMA member countries and the production programs thus originated did not find adequate room for marketing within CEMA. A contribution to eliminating the mentioned shortcomings should be provided by multilateral coordination of investment construction for selected areas and installations. Coordination of investment construction is to provide for maximum effectiveness in construction of new production capacities or in overhaul and expansion of existing production capacities.

A considerably greater emphasis is put on the requirement that coordination of plans create the prerequisites for intensification of the economic development of CEMA member countries, promote implementation of desirable structural changes and improve efficiency of social production and international socialist division of labor.

In comparison to the preceding periods, the program of coordination includes a number of important and new measures which in their sum reflect the endeavor for improved coordination of plans for the national economy. In this manner, this document reacts to the changed internal and external conditions which, in the eighties and in the subsequent period, will affect the economic development of CEMA member countries and of CEMA as a whole.

At the same time it is imperative to be aware of the fact that new approaches and improved principles which are contained in the program for coordination in the form of provisions and organizational and methodological instructions will not become implemented automatically, but will call for their gradual implementation throughout the course of the process of coordination. The success of this process and the final results will depend primarily on a resolute approach toward its implementation as within individual CEMA member countries. That is primarily, in working out and solving individual areas along the multilateral path in CEMA organs and along the bilateral path in negotiations between CEMA member countries.

Only under this premise can the program for coordination of the plans for the national economies of CEMA member countries for the years 1986-1990 become a document which will form the basis for the progress of additional qualitative changes in improving economic, scientific and technological cooperation. This will create the prerequisites for dealing with some momentous problems that could limit the economic development of CEMA member countries and of CEMA as a whole in the eighties and after 1990.

8204  
CSO: 2400/5

GERMAN DEMOCRATIC REPUBLIC

INCREASED SUPPORT FOR PRIVATE ARTISANS, TRADESMEN URGED

East Berlin WIRTSCHAFTSWISSENSCHAFT in German Vol 30 No 9, Sep 82 (signed to press 15 Jul 82) pp 1,337-1,352

Article by Dr Irene Falconere, born 1952, Institute for Marxism-Leninism, Academy of Social Sciences, SED Central Committee: "On the Role of Artisans and Tradesmen in the Social Reproduction Process of the GDR Under the Changed Reproduction Conditions of the 1980's"]

Text One of the most decisive advantages of socialism in the GDR is the alliance of the classes and strata which is becoming stronger under the leadership of the working classes and its Marxist-Leninist party. At the 10th Party Congress Erich Honecker emphasized the following: "The GDR, all our successes and achievements are the joint work of the working class, which in our socialist society is the leader, of the class of cooperative farmers, of the socialist intelligentsia and the other strata of working people which have joined together in a large alliance. The formation and development of this alliance numbers among the important historical achievements in the SED."<sup>1</sup>

From the very beginning the SED has been devoting enormous attention to the alliance of the working class with all classes and strata of working people. Based on the findings by the classicists of Marxism-Leninism about the necessity of social and political alliances of the working class to fulfill their historical mission, based on the experiences of the CPSU and the German workers movement, the SED has been continuously and creatively developing its alliance policy in accordance with the specific conditions in the GDR.

On the basis of the socialist power and production conditions the alliance policy is a decisive condition for the formation and development of essential socio-economic and political-ideological common interests and the unfolding of the creative powers of all classes and strata. This importance also accrues to it to a special degree in the shaping of the developed socialist society in the GDR. "Unswervingly we allow ourselves to be guided by the principle of granting every citizen, independent of his social origin, his religious or philosophical credo, the broadest opportunities for active involvement in the shaping of the developed socialist society. Without a doubt our alliance policy in the future will continue to gain in importance."<sup>2</sup>

The objective development processes of the classes and strata and their relations to one another are the basis for this strategy of the SED. In the shaping of the developed socialist society the classes and strata make a specific, independent contribution. This is of long-term importance. Only through the utilization of all powers and driving forces of the classes and strata will the social and economic conditions be created which make possible their further gradual reconciliation. Thus, the historical task of socialism is not to eliminate all the differences which exist between and in the classes and strata, but rather to develop and utilize their specific powers for social progress. The natural result of the specific action of the classes and strata is their further reconciliation. Through their joint effort in coping with the tasks for shaping the developed socialist society they themselves create the bases for the further formation of essential socio-economic and political-ideological common interests and the gradual overcoming of social differences. "One of the most important features of the historically new quality of the class structure of socialist society consists in the formation and strengthening of essential common interests of the classes and strata. In the alliance they are linked together in a manner of friendship and united by their basically similar relation to the socialist ownership of production means and to socialist power, through common basic interests and goals, through the leading role of the working class and its Marxist-Leninist party."<sup>3</sup> These are common interests of the classes and strata in respect to the "position in the political organization of socialist society, common interests in the position toward ownership of production means, the role in the social organization of work and the type of achievement and the share in social wealth, common interest of needs and interests, of living conditions and of life style, ideology and culture."<sup>4</sup>

At the same time the classes and strata in socialism differ from one another in basic conditions of existence and development.

Emphasizing the necessity and long-term nature of the shaping of the relations of the classes and strata in socialism is undoubtedly an important gain in knowledge which is closely associated with the deeper penetration of the nature and historical period of the developed socialist society. In connection with existing unclarities about this, ideas and interpretations concerning the development of social structure were also dominant which were based on the fact that the differences between the classes and strata would have to be and could be eliminated in an historically short period of time, guided by the view that greater equality in every case means greater social progress. In this regard mainly the real opportunities of socialism are overrated and the differences between the first and second phases of communist social formation are blurred.

At the same time the basic acknowledgement of the specific role of the classes and strata in the formation of the developed socialist society and the emphasis of the necessity for full development of all its powers demands far-reaching theoretical accomplishments and discussions. In this respect it is by no means just a matter of analysis of the special features of such classes and strata, respectively, such as the working class, the class of the cooperative farmers or the stratum of the intelligentsia, whose necessity and justification in socialism is generally acknowledged.

Stressing the necessity and long-term nature of all classes and strata also includes acknowledging and investigating the specific role of artisans and tradesmen--both cooperative and private. At present that is by no means obvious. Especially in evaluating the role and future of private artisans and tradesmen there are several unclarities and diverse, at times even sectarian interpretations. In respect to the future of the artisans and tradesmen in socialism there are a number of basic questions which have not yet been clarified, for which various methods of solution are being sought and which can also produce uncertainties in the relationship with the artisans and tradesmen. These questions, which still need solving, include such problems as that of the future of the small establishments and enterprises of artisans and tradesmen, the question of optimal size of such establishments in the service sector, the question of the forms of ownership of such enterprises and establishments, the most intimately related question of the possibilities and limits of division of labor in these sectors. Finally, the question which is decisive for the future of the artisans and tradesmen must be clarified, namely whether the existence of these strata results from diverse or lower levels of development of the productive resources or not. Solving these problems is not simple and will not proceed without difficulties.

An important basis for many unclarities about the role of artisans and tradesmen is mainly the incorrect understanding of the character of small goods production in socialism, of its functions and its nature. In this connection primarily private artisans and tradesmen are disqualified as relics, remnants of capitalist production conditions, which in principle cannot be combined with developed socialism.

Precisely because of these unclarities and the important and essential role of the artisans and tradesmen in shaping developed socialist society in the GDR, the analysis of these strata and their place in the reproduction process is a task of great theoretical and practical importance.

Cooperative and private artisans and tradesmen are partners in the alliance of the working class and other classes and strata and an element of the GDR's social structure. Under the leadership of the working class and its party these strata are intimately involved in the process of shaping the developed socialist society, a process to which they make a specific and essential contribution.

A decisive basis for the development of the position of the artisans and tradesmen is the SED's alliance policy. In respect to these strata the alliance policy is undoubtedly a part of the specific experiences of the SED. Because of it there has been success in involving formerly lower-middle class strata in the socialist organization and in bringing about in them socio-economic and political-ideological changes which made a fundamental change in their social profile and open up totally new perspectives of development for them.

Artisans and tradesmen--both cooperative and private--have essential and basic common interests with the working class and the other classes and strata. As alliance partners they acknowledge the leading role of the working class and

the goal of universal strengthening of the socialist state; in principle they are co-owners of all socialist property; the fact that they do socially useful work and that this forms the basis for achieving their share of the social wealth applies to all of them; furthermore, a common interest results from agreement in basic interest and needs.

The artisan and tradesmen differ from the other classes and strata and from one another because of the differing degree of socialization of production and ownership, because of the special role in the social organization of work--especially because of the specific character and content of their work and the other resultant special characteristics. Within these special characteristics the position of these strata to ownership of production means assumes a key role, specifically on the one hand because ultimately other essential differences from the other classes and strata are shaped by them, and on the other hand because this special relation comprises one of the main points of attack against the justification of these strata in socialism.

With the formation of artisan producer cooperatives a decisive path to socialist conditions of existence and development was demonstrated to the artisans and tradesmen. Today this ownership of production means--just like cooperative ownership in agriculture--is a form of socialist ownership which offers the artisans and tradesmen favorable opportunities for development and is in line with the level of development of the productive resources and with the character of the work in the artisans trade.

Significant changes in the character of ownership of product means by private artisans and tradesmen have also taken place under socialist production conditions. Basically determined by the development and the control of all social property, this property is developing into a form of small private ownership in socialism. It is purposely included in the economic organism, in the management, planning and realization of the economic tasks in a specific sector. It is linked in a variety of ways with all social property. On the one hand its existence and development depends on the level of development of all social property, on the other hand it contributes to the expansion and increase of all social property.

Control of all social property guarantees the development of ownership by private artisans and tradesmen, yet at the same time impedes reproduction of capitalist production conditions stemming from this ownership. Both economically and legally, expansion, the qualitative change in the ownership of production means into capitalist ownership has become impossible.

Even though in the economically and legally delineated context it also has its special characteristics in respect to the degree of socialization and acquisition which characterize it as a special form of ownership of production means, nonetheless considerations are appropriate as to whether, in connection with this ownership, it is a question of "nonsocialist" ownership. Based on the fundamentally new role and the functions of the form of ownership in the economic reproduction process, it would be completely possible to characterize this ownership as a socialist form of ownership. Of course, even further studies are necessary in respect to the character of ownership of production

means by private artisans and tradesmen and in respect to perfecting the information about forms of socialist ownership.

Furthermore, the concept of private ownership could also be used if this does not mean ownership of production means which is "the direct reason for splitting society into antagonistic classes and for exploitation and oppression of the nonowning classes by the classes which are the owners of the decisive production means,"<sup>5</sup> but rather "private ownership by the worker of his production means,"<sup>6</sup> whose character, place and functions are determined by the socialist production conditions, primarily by the dominance of overall social socialist ownership.

On the basis of the essential socio-economic and political-ideological changes by artisans and tradesmen and the new conditions of social development in the GDR, it was possible at the beginning of the 1970's to introduce a new stage in the policy that applies to them. In this, the SED made an important contribution to clarifying the future of these strata in the shaping of the developed socialist society in the GDR.

With the primary task, which was adopted by the Eighth Party Congress, in its unity of economic and social policy, with the strategic orientation for the further shaping of the developed socialist society in the GDR, new tasks are set for the classes and strata and the development of their alliance. In respect to the artisans and tradesmen the specific contribution of these strata was underscored at the party congress and the expectation formulated "that they display a continually growing initiative in working to satisfy the needs of the people and to an increasingly greater extent place themselves in the service of the community."<sup>7</sup>

A high point in the clarification process of the further future of the artisans and tradesmen was the adoption of the "SED's Program" in which it is stated: "Socialist society offers artisans and tradesmen favorable opportunities to use their forces and capabilities in the interest of society, to actively join in the work of organizing the new society and to receive appropriate compensation for their work. In particular, an important contribution to guaranteeing and expanding services for the people is expected of the artisans and tradesmen."<sup>8</sup> This concretely defined which specific tasks the artisans and tradesmen have to accomplish and the long-term nature of their future was underscored.

Establishing the long-term perspective and the continuous support of these strata is an objective requirement which results mainly from specific development processes in the sector of services, repairs and direct support services and their role in the economic reproduction process and the great importance of the artisans and tradesmen in this area.

Services<sup>9</sup> and repairs are "activities whose function consists primarily in the maintenance (and not primarily in the production) of material goods and in the social, medical and cultural care of the people for the purpose of satisfying social (productive and consumptive) and individual needs....Services are bought by the people or are drawn upon gratis in the form of cultural, health and other benefits."<sup>10</sup>

The variety and dynamics of the demands for services and repairs come as a result of the range of needs, the diverse level of the utility values, and also from fashion trends and consumer habits. Linked with this are varying degrees of the division of labor and differentiated possibilities for mechanization and automation, respectively. In general, the latter depended on the kind of performance, its scope, the capability to divide it up technologically and permanence in respect to time. Naturally handwork plays a large role.

Extremely closely associated with this are the possibilities for enterprises and territorial concentration of the performances. Because a large number of them are produced in direct contact with the consumers, the possibilities for enterprise and territorial concentration and/or distribution depend on the territorial concentration and distribution of the population. "There are variously large (according to the number of employees) establishments (enterprises, department stores, businesses, and so forth) in the service sector, but the possible size depends on the size of the population (population density) in a particular instance and thus on the variously large residential population in the sector served by these establishments; naturally the village or small city is not the site of department stores and combinations of services--the lower the population density and the smaller the settlement, the smaller, in principle, are the service facilities in this settlement or in thinly populated regions."<sup>11</sup>

The special characteristics in respect to possible and very differentiated degrees of the division of labor and to territorial enterprise concentration and/or distribution of services demand, more than in the case of industry, the necessity for the coexistence and interplay of various forms of the organization of production by large-scale production that is under individual management, collective management or on an industrial basis. These forms embody various degrees of division of labor, concentration and centralization and are expressed in the essential existence of large, small and extremely small enterprises and establishments in the service sector.

In the social reproduction process, services, repairs and other support services are an extremely important factor. As "an essential prerequisite for the flow, expansion and modernization of production and for the functioning and development of all other sectors of social life"<sup>12</sup> they have a significant influence on the direct production and circulation process.

"The various sectors of social work--which may be rather close to or distant from the production of utility values, do nonetheless have--more or less clearly marked--a definite function in respect to these. Thus, for example, repairs and cleaning of utility values (production means and consumption means) are an essential and necessary complement to the production of utility values: where the functional efficiency of a means of production or consumption is maintained or reproduced, there is no need in a given instance for renewed production of it; the repair sector, viewed in terms of material, represents relief for the economic sectors of agriculture, mining and industry. On the other hand, the production of other or technically further perfected utility values results in needs and new forms of repair, cleaning and in generally the service of utility values."<sup>13</sup>

As a consequence of this interplay of production and services, their level of development is therefore an important factor in the economy overall. Accordingly, stable and dynamic economic growth depend significantly on the level of development in services and repairs, too.

At the same time increasing the material and intellectual living standard of the people depends on the level of development of these performances. This determines or has a part in determining

--how the needs of the people for repairs, services and direct support services are satisfied (at what level, with what quality, on what scope),

--what conditions can be created for shortening housework time and for lengthening and using free time,

--how the housing problem can be solved, both in respect to maintenance and repair of existing construction and to the requirements for individual residential sectors in the context of purposeful classification of commercial output and services,

--how supplying the people with high quality consumer goods can also be guaranteed through their service and repair on a long-term basis at a higher level.

Overall, thus, the level of development of services, repairs and direct support services is a significant factor influencing the realization of the main task in that it helps define the implementation of the economic strategy and social policy.

The specifics of these performances and their importance in the social reproduction process also constitute the most important reasons for the significant role of artisans and tradesmen in the GDR. Under the specific conditions in the GDR the existence of these strata has proven to be not only useful, but also essential. In 1980 there were 154,700 cooperative and (including family members) 112,500 private artisans<sup>14</sup> and 17,100 agency dealers and innkeepers and 8,700 private retailers and private innkeepers.<sup>15</sup>

In the same year the output of the artisans had a value of M16,375 million.<sup>16</sup> Among other things, this represents 75 percent of the repairs and services for the people in the local supply industry sector, 50 percent of all construction repairs on residential buildings and 75 percent of all vehicle repairs and maintenance work.<sup>17</sup> Retailers and innkeepers (with and without agency contracts) realize sales of M11.7 billion amounting to 11.7 percent of 1980's total sales.<sup>18</sup> Equally significant are their performances which, when passed on, benefit the people. These include various kinds of production and services for industry or social allocation recipients. The artisans and tradesmen make an important contribution in the "Join in!" competition. With an overall small share in the total number of employed people (in 1980 the members of PHG's artisan producer cooperatives<sup>17</sup> comprised 1.8 percent of the employed people, the partners and agency dealers 0.3 percent, private artisans 1.3 percent, the private wholesalers and retailers 0.1 percent)<sup>19</sup> artisans and

tradesmen thus have a significant share in the performance development in services, especially for the people.

Traditionally artisans and tradesmen are active in these sectors. Their specific skills and capabilities as artisans, the smallness of their operations and the associated flexibility and adaptability to given requirements favor their specializing on services, repairs and other support services according to individual wishes and on the completion of short-term orders which are difficult to plan.

In no way can the problems which still exist in connection with supplying the people with services be derived from the existence of the artisans and tradesmen, but rather they are the result of the fact that the total number of corresponding enterprises and establishments, respectively, had, in particular, reduced the number of private artisans and tradesmen.

The number of enterprises (establishments) and their employees, with 1955=100, produced the following changes for 1977:

--retail sales shops, overall 56.3

--private retail sales shops 2.2

--inns, overall (1976) 93.3

--private inns (1976) 8.1

--employed people in trade, overall 99.1

--private wholesalers and retailers 9.1

--employed people in productive artisan work (excluding construction), overall 51.1

--individual employed people and assisting family members in productive artisan work (excluding construction) 35.3.

At the same time a number of PHG's and private industries developed into industrial production enterprises which provide hardly any or no services or repairs, respectively, for the people or anyone. If on the one hand the decrease in numbers was an expression of strengthening socialist production conditions in these sectors and of overcoming their outmoded structures through the development of productive resources, through concentration and centralization, on the other hand it became apparent at the beginning of the 1970's that this was why overall large gaps had developed in supplying the people with services and repairs.

In connection with the objectives of the Eighth Party Congress to expand services into an efficient sector of the economy, as a basic component of the main tasks, important measures were taken on the part of the SED and state organs which countered the declining development mainly in private artisan work

and trade and which were to stimulate the output of these strata primarily for the people. This served to utilize the potential of the artisans and tradesmen without whom the problems in supplying people with services and repairs cannot be handled. These measures include primarily the June 1972 "decree on the support of artisan work in services and repairs and the control of private industrial activity," the February 1973 "decree on the model statute of the PGH's" and the February 1976 resolution of the politburo of the SED Central Committee and the GDR Council of Ministers to promote private retail businesses, inns and artisan enterprises for services in the interest of further improvement in supplying people.

These measures involve both important steps toward stopping the decline, among other things in private artisan work and trade, and toward controls associated with them for trade approval, credit and tax measures and controls on apprentice training.

Thus, overall, there has been success in including artisans and tradesmen in a more purposeful manner in solving tasks. Artisans and tradesmen continuously increased their output, and to a special degree, services for the people (see Table).

Table. Artisan Output (PGH's and Private Enterprises)

Year	Total Output (in millions of marks)	Services and Repairs for the People (excluding construction) (in millions of marks)	Share in Overall Output (percent)	Share of the PGH's (percent)
1972	13,534	1,969	14.5	34.2
1977	14,468	2,590	17.9	40.2
1980	16,375	3,248	19.8	41.1

Source: "1981 GDR Statistical Yearbook," GDR State Publishing House, Berlin, 1981, p 154.

At the same time important steps for further developing productive resources and socialist production conditions in artisan work and trade were introduced with the support measures. First of all, there is a contribution to this by closer involvement of artisans and tradesmen of both forms of ownership in state management and planning and in team work; under the direction of state-owned enterprises in the form of supply and product groups.

Utilization of all creative potential for shaping the developed socialist society in the 1980's is a first priority requirement. In this way strengthening the alliance of all classes and strata, including the artisans and tradesmen, gains in importance and the tasks of the alliance policy become more diverse.

The basic causes for this come as a result of the changed reproduction conditions under which the main task must be realized. These new conditions include in the first place the foreign policy and foreign trade changes which signify an additional burden for the further shaping of the developed socialist society. At the same time they comprise--resulting in part directly from the changed foreign trade conditions--changed internal reproduction conditions "which represent new driving forces, new powers and possibilities for social development, especially for the policy of the main task."<sup>20</sup> Among other things these material and intellectual powers are "the growing efficiency of the economy, socialist production conditions, scientific and educational potential, close cooperation with the Soviet Union and the other countries of the socialist community, initiative of the working people."<sup>21</sup>

In the most recent documents from the SED's Central Committee there is emphatic consideration of the importance of the changed reproduction conditions for the realization of the SED's economic and social strategy. Thus, E. Honecker at the third meeting of the SED's Central Committee stated: "Socialist intensification, the fact that we want to realize its economic and social-political directive with even fewer raw materials and material than was accepted at the 10th Party Congress, place high demands on the management of economic production, on increasing the quality and efficiency of social work."<sup>22</sup> At the same time it is made clear that increase in output by the economy can only be achieved via full utilization of the advantage, driving forces and reserves of socialism. This affects all sectors of the economy and thus new requirements and development possibilities for services and repairs result from the new reproduction conditions.

On the basis of the advanced material-technical basis and the high degree of development of the productive resources, mainly the level of education of the working people, rapid development of efficiency and quality in services and repairs has become possible. Here, too, qualitative growth factors, such as increasing efficiency in work, intensified use of scientific-technical progress, rationalization and in a number of cases further concentration and division of labor are taking effect.

The changed reproduction conditions, however, make not only the development of services and repairs possible, but they make them urgently necessary. Thus, under the new conditions services and repairs take on a by far more important ranking in the reproduction process than was ever the case. By no means can that be explained only by the growing needs of people for such performance. Increasingly, services and repairs are becoming a factor in saving energy and raw materials. Service, maintenance and repair of existing material goods or facilities makes possible the reduction of the production of such goods. The technical level which was objectified in production means and consumer goods makes possible their long service life and usability. Service, maintenance and repair are important conditions for realizing these possibilities.

This also becomes apparent, for example, in the realization of the housing construction program in which new emphases are evident because of the changed reproduction conditions. Maintenance and repair of existing construction assume greater economic importance under these conditions. In the five-year

plan from 1981 to 1985 the plan calls for completion of 940,000 dwellings, including 600,000 by new construction. Thus, 340,000 dwellings are to be made available to the people through modernization.<sup>23</sup> In this way the extent of dwellings to be modernized is continuously increased. In the period from 1971 to 1975 209,080 dwellings were modernized, from 1976 to 1980 253,740.

With the fundamental orientation on solving the housing question through the unity of new construction, modernization and maintenance of construction, new requirements are placed on construction repairs and on all construction capacities--both at the combine level and at the kreis level--and thus also on the artisans and tradesmen. In the justification for the five-year plan W. Stoph states in this connection: "For solving the housing question the unity of new construction, modernization and maintenance of existing construction assumes increasing significance. Thus, construction repairs for residential buildings are to increase in the five-year plan to about 125 percent over the period 1976 to 1980. This produces special demands on the development of efficiency and performance by the kreis-managed construction capacities and their plan-based utilization."<sup>24</sup>

The increasing building of dwellings in space in the city center which has already been developed and in the inner-city sector and the utilization of the existing inventory of dwellings<sup>25</sup> through modernization and repair clearly involves changes which must be solved conceptually in construction on a long-term basis in order to increase quality and efficiency of construction. These changes are primarily connected with the fact that the character of the sites and construction tasks changes. Furthermore, and related to that, new technologies are necessary which also permit efficient repairs. At the same time these produce consequences in respect to the trade structure in construction. Mainly for repair occupations, which in new housing construction scarcely play a role, the result is a by far broader field of activity. This in turn is associated with altered requirements for vocational training in construction.

The growing requirements for repair, services and other support services, which come as a result of the changed reproduction conditions, have great importance for artisans and tradesmen. Their plan-based involvement in solving these tasks forms an important reserve for increasing performance and increasing efficiency in the economy.

To develop services and repairs under the new conditions into an efficient sector of the economy therefore means in the first place better, more efficient and effective utilization of the existing material bases--the combines in the service sector and the small and very small enterprises and establishments, respectively--and the intellectual potential of the working people in these sectors.

Frequently there is the opinion that the productivity of services and repairs can be increased exclusively via centralization and concentration. But that is only conditionally correct. As a result of the specifics of services, concentration and centralization is not possible on an unlimited basis if economic losses in efficiency are to be avoided.

For example, if, with progressive concentration of establishments the cost in the case of transport increases as does the cost in road time of the users of the services, in view of the growing energy costs a high useful effect of concentration and division of labor has not, from the overall social point of view, developed, quite apart from the fact that in this way even the level of supplying the people with services is hardly improving.

The efficiency of services, repairs and other support services is not "independent of the respective territorial conditions at any given time: population density, settlement density, population structure, and so forth."<sup>26</sup> Small and extremely small establishments, for example, in small settlements, are, when viewed in larger dimensions, also economically efficient--because they are an essential prerequisite of optimal utilization of social work capability and essential for optimal utilization of natural resources."<sup>27</sup> Small enterprises and establishments, especially also those of the private artisans and tradesmen, are definitely an important factor in increasing the efficiency of services and repairs. Under certain conditions (mainly in the case of an appropriate level of productive resources) and in certain sectors they are in a position to fulfill the tasks more effectively and efficiently than large enterprises.

The advantages of these small enterprises undoubtedly include their flexibility and adaptability in the face of rapidly changing requirements, the lower outlay in administrative costs, the possibility of operation management, the favorable utilization of work time (especially in the case of specific work time rhythms which are typical in the service sector).<sup>28</sup>

Efficient and effective utilization of the small establishments and enterprises of the private artisans and tradesmen is developed in the GDR mainly via socialist team work between enterprises of all types of ownership under the direction of the state-owned enterprises and facilities. In the form of supply and product groups, respectively, cooperative relations of the most diverse type and factory driving groups, team work has proven itself as the decisive way to improve supplying the people with repairs, services and direct support services.

Through team work specialization between the enterprises/establishments, the improvement in the quality of the performance and customer service, the general realization of measures of training, increasing work productivity, improving material management and utilization of basic assets and finally the reduction in road time for the citizens are guaranteed in connection with utilization of services. In this way there is success on the one hand in developing these sectors systematically through close cooperation of enterprises of all types of ownership and in developing important reserves of performance development in artisan work and trade, too, and on the other hand in improving systematically and gradually the working and living conditions of the artisans and tradesmen and exerting significant influence on the political-ideological development of these strata. Closer and new kinds of relations especially between the working class and the artisans and tradesmen are developing both in the trusting cooperation which is developing between the local state organs and the artisans and tradesmen and also in the team work with state-owned enterprises.

Increasingly among artisans and tradesmen interests, requirements, modes of behavior and attitudes are emerging which coincide with overall social interests. The artisans and tradesmen recognize in an increasingly better way how they can comply with the new demands of the 1980's. Especially after the 10th Party Congress and the 3rd meeting of the SED Central Committee they started several initiatives which are aimed at tracking down reserves in artisan work and trade and to utilize them better. With special emphasis it is made clear in this connection that team work is the decisive way in order to cope with the demanding tasks. This is expressed especially in the letter from Gera artisans and tradesmen to the SED Central Committee:

"Supported by our social coresponsibility as alliance partners of the working class and its Marxist-Leninist party, we announce our determination and firm will to realize in 1982 and beyond in the five-year plan period up to 1985 the demanding goals by means of the strength of our socialist collectives in the PGH's and our privately working artisan and trade enterprises, through the even more efficient utilization of the qualitative factors of growth in performance which affect the people, mobilization of capacity and efficiency reserves and the most economical use of available material and financial assets and firm improvement in the relationship between cost and use. For this, we will utilize intensified cooperation in the product and supply groups as the form of socialist team work which is specific for artisan work, in order to guarantee, by means of intensification and socialist rationalization on the basis of the most recent findings of science and technology, high level results of increasing better supplying of people with services, repairs and other support services."<sup>29</sup>

Material resources and intellectual powers--such as artisan know-how, capabilities, skills which are often unique--are important sources for improving the economic efficiency of services, repairs and direct support services and for raising the material and intellectual living standard of the people. Through the consistent continuation of its alliance policy in respect to these levels the SED's task is to put into effect this potential in an intensified way in the interest of the entire society. This includes both the further improvement in material prerequisites for artisan work and trade and their political-ideological development in order furthermore to trigger among artisans and tradesmen the necessary readiness and initiatives for solving the complicated social tasks under the changed reproduction processes.

#### FOOTNOTES

1. E. Honecker, reporter, "Report of the SED Central Committee to the 10th SED Congress," Dietz Publishing House, Berlin, 1981, p 122 f.
2. E. Honecker, reporter, "From the Report of the Politburo to the Third Meeting of the SED Central Committee," Dietz Publishing House, Berlin, 1981, p 52.
3. R. Weidig, "Social Structure and Way of Life in Shaping the Developed Socialist Society in the GDR," in "Third Congress of Marxist-Leninist Sociology, 'Way of Life and Social Structure,'" Dietz Publishing House, Berlin, 1981, p 16 f.

4. S. Grundmann, M. Loetsch and R. Weidig, "On the Development of the Working Class and Its Structure in the GDR," Dietz Publishing House, Berlin, 1976, p 242.
5. "Dictionary of the Economy, Socialism," Dietz Publishing House, Berlin, 1973, p 221.
6. K. Marx and F. Engels, "Works," Vol 23, Dietz Publishing House, 1956 to 1968, p 789.
7. E. Honecker, reporter, "Report of the SED Central Committee to the Eighth SED Congress," in "Proceedings of the Negotiations of the Eighth SED Congress," Vol 1, Dietz Publishing House, Berlin, 1971, p 81.
8. "Program of the SED," Ninth SED Congress, Dietz Publishing House, Berlin, 1976, p 39.
9. When services are discussed here, only those are meant which are exclusively for the people and which differ from services for industry: "According to the function of services for the people three main groups are distinguished: 1. Services which apply directly to the consumer, such as social, medical and cultural care--the health system, education, gastronomy and passenger traffic, 2. Services which apply to utility values which are in the possession of the consumer, such as maintenance and repair of consumer goods, 3. Services which influence the life of the working people in the territory (waste removal and utilization, street cleaning, street lighting, and so forth)." "Dictionary of Marxist-Leninist Sociology," Dietz Publishing House, Berlin, 1977, p 143.
10. Ibid., p 142 f.
11. S. Grundmann, "The Territory--Subject of Sociological Research," Dietz Publishing House, Berlin, 1981, p 81.
12. "Dictionary of Marxist-Leninist Sociology," loc.cit., p 142.
13. S. Grundmann, "Changes in the Economic Structure of Capitalist Countries--Critical Comments on the Bourgeois Theory and Outlook of a 'Service Society,'" WIRTSCHAFTSWISSENSCHAFT, No 9, 1974, p 1,360.
14. Compare "Report of the SED Central Committee to the 10th Congress," loc.cit., p 45.
15. Compare discussion article by M. Merkel, deputy minister for trade and supply, at the meeting of the Artisans and Tradesmen Task Force at the National Council of the GDR National Front, 4 February 1981.
16. Compare "1981 GDR Statistical Yearbook," GDR State Publishing House, Berlin, 1981, p 154.

17. Compare discussion article by M. Merkel, loc.cit.
18. Calculated according to the "1981 GDR Statistical Yearbook," loc.cit., p 223.
19. Compare ibid., p 90.
20. O Reinhold, "Theory and Practice in Shaping Developed Socialism," EINHEIT, No 10, 1981, p 978 f.
21. Ibid., p 979.
22. "From the Report of the Politburo...", loc.cit., p 24.
23. Compare W. Stoph, speech of the chairman of the GDR Council of Ministers, "Our Workers and Farmers State Will Continue to Be Strengthened With New Plan Goals," on the occasion of the establishment of the laws on the five-year plan for the development of economy 1981-1985 and on the 1982 economic plan, NEUES DEUTSCHLAND, 4 December 1981, p 4.
24. Ibid.
25. Compare K. Naumann, "Efficient Construction Serves the Good and Happiness of People," BERLINER ZEITUNG, 27/28 February 1982.
26. S. Grundmann, "The Territory...", loc.cit., p 85.
27. Ibid.
28. It is interesting that in the case of the large role of small enterprises, especially of artisans and tradesmen, we are by no means dealing with a special feature of the GDR and not exclusively with a special feature of the service sector. Apparently we are dealing here with general trends in the development of productive resources.

The small goods producers including artisans and tradesmen prove their adaptability, flexibility and specific role even in present-day monopolistic capitalism where the economies are marked by crises of the greatest magnitude. There are several examples of this which reflect definite trends.

The most recent development in this connection is illustrated by the following example from Great Britain: "Something strange is happening to the industrial countries with high unemployment: Many new small enterprises are coming into being....One thing can be expected of these new small and very small enterprises: they will function efficiently and flexibly....As trade and service industries they must not contribute a great deal to export business. But presumably something that in most countries is in particularly bad shape will improve: supplying with artisans' services...." (J. Rudolph, "The Rebirth of the Small Enterprise. English Experiences from the Recession," FRANKFURTER ALLGEMEINE

ZEITUNG, 22 December 1981, p 11.) Furthermore, reference is made especially to the possibility of lowering transport costs, the use of modern information technology, adaptability, possibilities for rationalization and innovative strength. This is by no means typical only of Great Britain.

Thus, in California 3,800 companies produce microelectronics, of these 3,200 employ fewer than 200 workers. In this connection the number of small enterprises (and medium-size enterprises) is expressly assessed as an advantage and one of the reasons for the high level of development in microelectronics in the United States (compare R. Held, "A German Defeat," *ibid.*, 13 November 1981, p 1).

In view of certain trends of development in science, technology and production in the United States many questions are posed anew in respect to the efficiency relationship between mass production and small production. "With strong changeability in demand and its orientation to high quality products mass production frequently proves to be inefficient and not sufficiently flexible, it becomes morally obsolete more quickly.... Small enterprises which can better adapt to the changes in external conditions often have higher productivity and efficiency than large enterprises." (W.M. Kudrow, "Scientific-Technical Progress and Structural Change in the U.S. Economy," SOWJETWISSENSCHAFT. GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEUGE, No 6, 1981, p 895).

29. "Gera Artisans to the SED Central Committee: We Will Further Improve Services For the Citizens," NEUES DEUTSCHLAND, 15 February 1982, p 3.

12124  
CSO: 2300/417

GERMAN DEMOCRATIC REPUBLIC

TRADE AGREEMENTS ANNOUNCED FOLLOWING 1982 LEIPZIG FALL FAIR

East Berlin AW-DDR-AUSSENWIRTSCHAFT in German Vol 10 No 38, 15 Sep 82

[Report by Information and Public Relations Department, GDR Ministry for Foreign Trade: "Important Business Agreements"]

[Text] Soviet Union delivers 1 million tons of apatite concentrate and 85,000 tons of cotton. Soviet partners ordered 216 million rubles' worth of products from Textile Commerce. Agreement with the People's Republic of Poland regarding extensive imports and exports of farm machinery. Cooking ranges from Czechoslovakia and Bulgaria. Medical technology for Iran, India, and Egypt. Imports of equipment to increase production of synthetic gas.

We publish below a selection of more contracts:

Chemical-Export-Import

Major 1983 import agreements with the Soviet foreign trade company Soyuzpromexport contain the acquisition of 1 million tons of apatite concentrate and 52,600 tons of ammonium phosphate.

Bilateral deliveries agreed upon in contracts with the Czechoslovak foreign trade companies Chemapol and Petrimex reach the figure of 24 million rubles.

The foreign trade enterprise concluded an agreement with its Cuban counterpart Quimimport regarding the delivery of chemical products worth 2.6 million rubles. These contracts call for the export of substances for the protection of plants and for controlling pests, such as insecticides, herbicides, and pesticides. These are used primarily on sugar cane and citrus plantations. The Mongolian People's Republic also is to receive chemical products.

The Albanian foreign trade organization Albimport ordered from its East German partner substances to protect plants, lime, organic dyes, and acetic acid.

Imports of large quantities of industrial glues is the subject of an agreement with the Polish partner Ciech.

### Textile-Commerce

An agreement was signed with the Soviet foreign trade enterprise Exportlyon about importing 85,000 tons of cotton. Exports of the GDR which were agreed upon with Tasnoexport and Exportlyon include light industrial products, especially textiles, worth over 216 million rubles.

The Mongolian People's Republic likewise ordered major quantities of textiles.

### SKET-Export/Import

In 1983 the GDR is going to receive rolling mill and other metallurgic equipment from the USSR. It is going to export to the USSR machines for manufacturing cable and construction materials, as well as wire weaving and automatic braiding machines. SKET-Export/Import has signed contracts to this effect with the Soviet foreign trade organization Machinoexport.

### Metallurgic Trade

Metallurgic Trade signed with the Bulgarian foreign trade enterprise Rudmetal export and import agreements about black and multicolored metallurgic products having a value of 12 million rubles. Delivery is to take place in the first half of 1983. The same year the GDR will receive metallurgic raw materials from the Mongolian People's Republic.

### Chemical Plant Equipment Export/Import

Soviet partners ordered centrifuges for their sugar industry, and soda machines and additional equipment for their chemical industry worth approximately 18 million rubles.

### Progress Farm Machinery Export/Import

Extensive exports and imports were agreed upon with Agromet from the People's Republic of Poland. Exports of the GDR will include machines for the cultivation of land, techniques for harvesting and storing crops and for cleaning grain, i.a., field threshing machines, multipurpose trailers, loaders, plows and swath cutters.

The GDR is importing from the People's Republic of Poland, among other things, "weed beaters," disc harrows, rotary hoes, fertilizing machines, and ridge drills. In addition, a contract was signed providing for Polish cooperative deliveries for the GDR's construction of farming machines as well as building tractors and silos.

The Soviet partner Tractorexport ordered, i.a., silos and construction assemblies for sugar beet combine KS6. In 1982 this foreign trade enterprise is also going to export to the USSR canteen equipment, bottling lines for the beverage industry, storage tanks and other products worth 12 million rubles.

### Industrial Machine Export

An agreement was signed with the West German firm of Krupp-Koppers about importing equipment for the expansion of a synthetic gas producer in the hydrogeneration plant of Zeitz.

### Glass-Ceramics

The foreign trade firm Glas-Keramik signed extensive export agreements. Ceramics machines are to be delivered to the Czechoslovak Socialist Republic and the Socialist Republic of Romania, foam glass to Switzerland and the Federal Republic of Germany, plate glass to the Netherlands, and blended fiberglass fabric to the Federal Republic.

Glas-Keramik and Soviet partners agreed to ship to each other glass and ceramics products worth 11.7 million rubles.

The foreign trade company concluded further export agreements with British, Lebanese, and West German customers.

### Textima-Export/Import

The foreign trade enterprise agreed to ship spinning machines to the state textile organization Goti of the Syrian Arab Republic, thus continuing to equip a Syrian factory with Textima technology.

Business partners from the Arab Republic of Egypt ordered double-rug weaving machines to manufacture pile rugs.

An agreement was signed with the Soviet foreign trade company Tekhmachinimport concerning exporting Malimo machines.

### Techno-Commerce Gmbh

The Polish foreign trade enterprises Varimex and Centrozap ordered pumps, fittings, and air conditioning equipment worth 7 million rubles. Import agreements with these partners provide for the sale of fittings and of equipment for air conditioning and refrigeration.

Export agreements with West German companies are concerned with assembly work for the construction of industrial power plants as well as the delivery of materials and assembly work for industrial insulation.

### TAKRAF Export/Import

An agreement provides for the importing of 460 bottom wagons of automatic swing cranes from the Hungarian People's Republic.

#### Transportation Vehicles Export/Import

This firm is acquiring Soviet trucks--models KamAS, KRAS, and MAS--in accordance with agreements with the foreign trade company of Avtoexport.

Purchases of spare parts for passenger cars were agreed upon with Zapkhastexport.

The Hungarian foreign trade enterprise Moguert ordered model W50 and Robur trucks, Barkas small transportation vehicles, and trailers for utility vehicles.

#### WMW Export/Import

Import contracts with Swiss, Italian, Dutch, and West German companies deal, i.a., with tools, wood-working machines, and redesigning machines.

#### Baukema Export/Import

To be exported to Nigeria are, among others, plants to treat crushed stones, blacktopping equipment, road rollers, ad well as machines and accessories for the manufacturing of concrete.

#### Robotron Export/Import

Its contract with the Hungarian foreign trade firm Metrimpex calls for the export of typing and calculator technology worth over 6 million rubles.

#### Polygraph-Export/Import

Indian companies ordered rolling offset printing machines--models Rondoset-Petit and Zirkon-Forta.

#### Home Electric Export/Import

The Soviet foreign trade enterprise Tekhnointorg will ship to the GDR electroplating elements, sets of machines for generating electricity, and television sets.

A contract concluded at the fair with the Bulgarian foreign trade company Balkancarimpex provides for the purchase of passenger car accessories.

Import and export agreements with business partners in the Czechoslovak Socialist Republic and the Hungarian People's Republic are concerned with electric household appliances. Accordingly, the GDR is to export water heaters, hot water storage tanks, and kitchen machines, and import hot water storage tanks [sic].

Gear switching devices ordered by the Polish foreign trade enterprise Elektrim and worth about 4 million rubles are to go to that country.

#### State Enterprise Carl Zeiss in Jena

Agreements made at the fair with Soviet partners Tekhnopromimport and Tekhmachexport stipulate that both sides will supply each other with special equipment for their electronic industries.

#### Electronics Export/Import

A machine for covering objects with layers of titanium nitride is to be shipped to Japan.

#### Electrical Engineering Export/Import

West German clients ordered electric insulation materials, while Turkish partners desired welding redesigners.

#### Limex-Construction-Export/Import

This company signed a contract promising to deliver products of metal lightweight construction to the Soviet foreign trade organization Avtopromimport.

#### MLW Intermed-Export/Import

Soviet customers are to be supplied with medical technology, including dental equipment and health monitoring equipment. Other export deals with partners from socialist countries involve shipping endoscopes and syringes to Poland, laboratory equipment to the Czechoslovak Socialist Republic and to Hungary, as well as devices for respirators to Cuba.

Iranian firms placed orders for dental equipment; India wishes to buy medical assembly groups; and Egypt is interested in centrifuges.

Orders for medical articles for everyday use have been received from the Federal Republic of Germany.

#### Germed-Export/Import

This firm and the Czechoslovak foreign trade enterprise Chemapol signed contracts about importing ready-to-use medicines, pharmaceutical substances and agents from the Czechoslovak Socialist Republic. Simultaneously the two foreign trade organizations agreed that pharmaceutical products would be shipped to the Czechoslovak Socialist Republic.

A contract with the Bulgarian foreign trade company Pharmakhim specifies that ready-to-use medicines will be imported. Customers from Cameroons ordered ready-to-use medicines, whereas West German firms placed orders for pharmaceutical raw materials.

### Potash Mining

Minexport from the Socialist Republic of Vietnam ordered potash fertilizers. Delivery is to take place next year.

### Union of Household Appliances-Export/Import

The Bulgarian foreign trade enterprise Elektroimpex is going to ship 25,000 electric ranges to the GDR, and the Czechoslovak foreign trade organization Merkuria is exporting 75,000 gas ranges to East Germany.

### Foodstuffs-Export/Import

In its contract with its Brazilian supplier of long standing, this firm agreed to import foodstuffs worth 48 million marks.

Large quantities of vegetable oil are to be imported from the FRG.

### Gourmet Food-Import/Export

Gourmet Food agreed to partners from the Hungarian People's Republic and the Czechoslovak Socialist Republic agreed to supply each other. Contracts that wines and champagne will be imported from Hungary.

### Interpelz

Companies from the People's Republic of Poland, Belgium, Finland, the Netherlands, and the FRG ordered large quantities of imitation leather. French clients ordered cosmetics bags. Another contract stipulates that specially cut soles will be imported from the FRG.

9873

CSO: 2300/14

PROFIT'S ROLE IN INVESTMENT CREDIT SHOULD INCREASE

Budapest FIGYELO in Hungarian 30 Sep 82 p 3

[Article by Mrs Laszlo Weoros, PhD: "Credit in Business Enterprise"]

[Text] According to this year's review by the Hungarian National Bank [MNB] the planned completion time was 39 months, the actual, 48 months for the 137 investments (carried out with a total investment cost of 137 million forints) implemented with credit. The cost projections were generally observed at the investments under study. However, late completion strongly decreased the profit of these investments with respect to cost. Only 27 percent of the investments with the planned results or better, 43 percent produced less profit than planned, and 30 percent produced losses. Late completion of the profitably implemented investments decreases the enterprise's profit. On the other hand, unprofitably implemented investments cause balance problems in the basic development balance of the enterprises.

It is typical for these investments that the increased performance that is unbalanced and conforms only gradually to the changing circumstances proved insufficient. The somewhat schematic working methods to which people had gotten used to earlier, under relaxed domestic and foreign market circumstances, prevailed in shaping the development ideas, in the specific technical preparation, and in working out the economic calculations.

The unhealthy change of rhythm that was universal in the economy at the turning point of the Fourth and the Fifth Five-Year Plans, can be felt at most of the investments. This was joined also by the unfavorable development of the market conditions. It has become more difficult to predict the achievable prices on the markets. The negative effect of this was amplified by the long completion time of the investments; by the time some investments were completed, the explored markets changed and selling the products caused increased problems.

Slow Implementation

Most investors did not sufficiently consider the real situation, that is, that long completion time involves very great risks.

Deteriorating exchange rates also played a large role in the general worsening of profitability. Therefore, quick implementation of the investments would be particularly important for the export-developing investments, since the decrease of exchange rates, which can be expected also in the future, will add to the decrease of forint export income and profitability if completion of the investments is slow.

Combined, all these contribute to the fact that with the completed investments the profitability of the enterprises did not increase and solidify to the extent planned.

Comparing the planned and actual numbers of profit with respect to investment, and examination of the reasons for the differences is a complicated and difficult task. Simple, dynamic comparison of the indices does not provide sufficiently accurate information for deciding to what extent the changes can be considered effects of the investments under consideration. The way profits develop is probably also influenced significantly by the changes which take place during the time period investigated, in the economic environment of the enterprises, that is, in the market conditions, in prices, regulations, etc.

According to the differences in planned and actual profitability, a group of major enterprises is developing characterized by investment-oriented growth efforts, and to be specific, a series of consecutive and significant investments financed primarily by bank loans. More and more frequently, these enterprises have to face the problem that some of their developments do not produce the expected profit. Because of this, their development funds are decreasing. They want to climb out of this situation by means of making additional investments. A decisive viewpoint in their new loan applications is that primarily the planned additional development fund generated by means of the investment should serve as the source for repaying the loan. Therefore they become eligible for loans only with a very high promise of profits, and thus they set more and more unrealistic requirements for themselves. A series of such investments increases the need of the enterprises for more and more loans, all the way until they are too far in debt. The development funds (including their repayment obligations) of these enterprises are, for the most part, determined to the extent of 75 to 100 percent, and they can provide only a small amount of own resources for any new investments.

Thus, from all this we can conclude that lending itself (including also the ability to repay loans based on one's own resources and, accordingly, credit financing) will not solve the allocation of capital that can qualify favorably on the basis of future income prospects.

Even when considering the future income expectations, it is justified to implement investments only where we judge on the basis of the enterprise's present profitability that the additional investment will also be profitable.

Some enterprises have implemented one profitable investment after another. They were able to keep their promises concerning the investment's profitability, with little variation.

For example, six significant investments of the 137 examined were implemented by the Kobanya Pharmaceutical Products Factory, which can for the most part be called selffinancing investments; or the undercarriage I-IV. investments of the Hungarian Railroad Car and Machine Factory. The United Pharmaceuticals and Food Factory also implemented several large volume investments in recent years, which are also profitable.

The bank receives a fixed amount of interest and payments on the capital when due, practically independently of whether the action financed by the loan was successful or unsuccessful. Thus in this form the bank's operation with a business undertaking character, its interest, and the risk it accepts, are not expressed.

#### Recovery Pressure Is Absent

When the loan applications are evaluated, judging the enterprise's behavior, qualifying the enterprise is very important in making the decision. That is, if the interest in profits is definitive of the enterprise's behavior, the enterprise will try to invest the available development resources in the most profitable way. It will evaluate whether to use the resources to expand and modernize its own activities, place it as bank deposit, or to invest its capital in other undertakings.

Repayment calculated in this manner is not certain even for rather highly profitable development actions, because its source is the enterprise's development fund generated by the given development. Therefore in addition to evaluating the economy and profitability of the development actions--which is necessary and justified--, the profitability and paying ability of the enterprise as a whole, the burdens on its development fund, and the purposes for its use must also be evaluated in judging the loan application, from the viewpoint of how it can be qualified with respect to the profitability of the enterprise's economic operation and in connection with this, to granting the loan.

Considering the profitability of the enterprise's economic operation as a whole when making a loan is justified also because such developments may also be realistic and good loan purposes which by themselves have low profitability or do not produce profit at all, but improve the profitability of the enterprise's economic operation as a whole. (For example, development of the internal infrastructure resulting in better utilization of the enterprise's existing capacity.) Under the present conditions these goals cannot be financed by loan.

A high degree of willingness to invest by the enterprise can be traced back, among other things, to weaknesses in the operation of the interest system.

The interest system does not exert sufficiently strong pressure to recover the capital, therefore the enterprises invest their development resources even in low profitability and uneconomical purposes, and indeed there is a real footrace to obtain external resources.

The significant differences between the planned and actual values and indices of the 137 investments call attention to the fact that it is not enough to accept the index values--based on promises--concerning the given development when profitability of the development actions is judged.

Loan placement based on profitability expectations can be implemented if the banks do this in the form of a business undertaking. The same pressure to survive must also act on the business bank--economic and profitability pressure--as acts on the enterprises in general, and in accordance with this, it must try to place loans that will produce adequate resources for its future undertakings. The interest system of the bank--as an enterprise conducting a unique type of activity--must be based on profitability and on placing economical loans. Of course, the conditions for making loans become stricter by this, rather than easier. In order for the enterprises to turn towards more favorable investment opportunities, it is necessary first of all to create regulations that will cause pressure to recover the capital, and to create the appropriate economic operating environment. It would be good if the enterprises had economic pressure on them that would hold them back from expanding at any cost, and encouraged expansion in good income producing activities. This has not prevailed so far, or not sufficiently consistently, and this must be changed. Besides the economic pressure and enterprise expansion subjected to the market's value judgement, that tendency may also prevail that the enterprises will not spend their financial development tools at any cost, but rather, with a realistic interest policy perhaps the willingness to save could be increased, the interest in placing it as [bank] deposit, and they will try to implement only profitable and economical investments.

8584  
CSO: 2500/12

STUDY REVEALS SLOW PACE OF INDUSTRIAL MODERNIZATION

Budapest FIGYELO in Hungarian 23 Sep 82 pp 1, 4

[Article by Jozsef Nyers: "Industrial Product Structure--The Transformation Is Slow"; passages in slantlines written in italics]

[Excerpts] The modernization of industrial productive structure is an essential requirement of economic adaptability, one of the basic requirements of international competitiveness. This is especially true nowadays, when due to the sustained and worldwide recession, we are witnessing the rapid /realignment/ of production and sales, internally and internationally. In the following we will attempt to document with hard data the content of the above statement.

Twice in the past decade, last in 1980, the European Economic Committee analyzed in a wide ranging international comparison the structural changes of the processing industry in the industrially advanced western European countries. The principal findings of this report could mean a good basis for the realistic evaluation of domestic conditions and results.

Industrially developed countries are trying to get rid of those branches that have already lost their competitive edge. They "deport" the low skilled, labor intensive industrial subsectors, and on the other hand they vigorously develop the high technology bearing, large research investment and developmental activities requiring, highly skilled work branches. The ratio of the machine and chemical industrial sectors, which are more capital and technology demanding, is increasing, while the textile, garment, paper and rubber industries' share is declining; food production, petroleum derivatives and the non-metallic raw materials industry's share of the gross national product is stagnant in the majority of the countries.

/The change in foreign demand influences to a large degree the domestic level and composition of production and employment./ It is a prolonged trend, that in the processing industry the role of international specialization is increasing, the ratio of export and import relative to the gross product is rising. The international traffic of industrial products in the commerce of developed countries is ever more significant, the progress being basically determined by the /exchange of semi-processed goods and unit parts./

The producers were able, in a relatively short time, to pass on the 1973/74 energy cost increases in the prices of their products. The more expensive energy resources usually brought about more or less product changes within certain branches, the characteristic of certain products changed (for example, fuel efficient small cars gained ground), moreover, the producers paid more attention to the modernization of technology, to the introduction of energy efficient methods.

However, the support of investments assuring /comparative advantages did not consistently prevail in the governments' industrial policy,/ usually they gave preference to high technology ideas, but at the same time they helped traditional industrial subsectors too.

The Hungarian industry's sectional structure changed in the 70's decade essentially in tune with major international trends, but analyzing the structural changes in depth, several divergent features appear. Development of Hungarian industrial subsectors, which felt the influence of foreign trade much less than West-European countries, was much more even. For example, after 1973, the production decline of vehicle and chemical industries did not happen. (In this period we stressedly developed both sectors with central developmental programs.) The decrease in the scale of metallurgical production also appeared with delay.

In the first half of the 1970's, however, the modification in production composition ensued a much quicker pace of growth: /thus, the change in our industry's sectional structure is slow relative to the developed capitalist countries,/ because those economies achieved the level given by the structural transformation under relatively slow pace of growth.

/In the second half of the 1970's,/ together with the slackening growth in the value of the gross product, the change in industry's sectional structure also /slowed down,/ and in the last year of the decade the previous periodic trends of the structural change broke: the ratio of machine production decreased, the growth in the share of the chemical industrial production stopped, and at the same time production ratios of the textile and food industries grew by a small measure. The regrouping was brought on basically by the boom; the effect of world market prices was more noticeable then, at the same time investment-oriented domestic demand decreased, and also the export conditions became more difficult. /In the mirror of causes, the change appears more cyclical than structural, and it is unlikely that this process will be lasting in its every part./

The observation system introduced in 1980 by the KSH [Central Statistical Bureau] gives a relatively good view; we have comparative data of the degree of product changes for 1980-81, but from the age distribution of products the previous years' change of product composition can also be deducted. /Results of these 2 years unanimously support the fact, that the reform of the productive structure, the degree of product changes are slow, despite the economic pressure, the marketing difficulties, the resolutions and the incentives; and the tendency for innovation is unsatisfactory./

In the formation of disagreement between econopolitical objectives and corporate behavior, a significant role was played in the past 2 years by /changes that occurred in the economic conditions./ In the interest of more flexible compliance with known foreign and domestic economic conditions, in 1980 the wage and price control system was significantly modified, which strongly limited the corporations' scope of action. In 1980 the volume of industrial production decreased by 1.7 percent, and this unfavorably affected also the product structure modification.

In the /external/ conditions of economic development, genuine improvements did not happen in 1981; however, with the knowledge of price and economic adjusters the activity of industrial concerns briskened somewhat, industrial production exceeded the previous year's level by 2.3 percent. /Marketing difficulties, slack demand, and even the decreasing trade in the products of certain branches (e.g. metallurgy) resulted in non-committal attitude on the corporations' part, the more vigorous change in the productive structure did not materialize./

Due to larger risks and slowly expanding investment sources, the degree of product changes in the past 2 years was even more moderate than previously. Comparisons of product change data for 1980 and 1981 indicate that product changes follow changes in economic circumstances by a certain phase delay.

In the economically more successful year of 1981, the mass produced /new product ratio/ was only 2.3 percent versus 2.6 percent in the previous year. Although the difference is not large, its direction, also considering data from other groups' state of modernity, can be accepted as typical.

In the examined 2 years 92.1, respectively 93.2 percent of the products were made in /unchanged form,/ while /the share of products withdrawn from production/ did not reach 1 percent in either year. The above pace of product changes, modernization can be judged to be slow, even if we consider that the new products are at the beginning, while the final production ones are at the ending stages of their career. Indicative of the low degree of restructuring, that the /share of nationwide new products/ introduced in 1980 rose during the 1981 sales year to only 1.4 percent from the previous year's 1.3 percent. Of the new products, 43 percent can be considered new nationwide, 57 percent was previously manufactured by other companies (in the previous year, similar ratios were somewhat more favorable).

According to the survey, in 1981 only 2.3 percent of the /sales/ by the state industry were new products, and within this, the spread by sectors is very large: in metallurgy 0.9 percent, in food industry 1 percent, in construction 1.2 percent, in chemical industry 2 percent, in light industry 3.1 percent and in machine industry 4.7 percent was the ratio of new products.

Nationally, 72.8 percent of the new products were the companies' /own development,/ 15.8 percent were manufactured under /license./ Products made based on development by /research institutions and other companies/ was only 4 percent of sales.

The pace of product change differs by sectors. In certain industrial sub-sectors the products are traditional, hardly changeable; modernization is meant more by technology modification than by product changes (e.g food industry, building materials industry, metallurgy). The role of product changes in the machine and chemical industries, and in the fashion branches of light industry is larger than average (in light industry a significant portion of new products counts as new only at the manufacturing concern).

In aggregate valuation, the ratio of new products is /the highest in the machine industry, / 4.7 percent; in machine manufacturing and in the communications technology industry the share was 7.1 percent and 7.5 percent respectively in 1981. /The relationship between modernization and saleability is well demonstrated by the fact that the ratio of new products in hard currency export sales is substantially higher than average in the above listed machine industry branches./ In rubel accounting, in the machine industry the long term, lasting, cooperative and specialized ties are determinants, therefore the product changes are slower.

In the /chemical industry/ product changes in 1981 brightened up somewhat, the ratio of new products increased to 2 percent from the previous year's 1.3 percent. In the topical year, the mass produced articles' bulk is sold on the domestic market, their role in export is marginal. In /light industry/ the share of new products in 1981 decreased from the previous year's 4.5 percent to 3.1 percent, while production moderately increased. In the area of export products the change is somewhat faster, the difference among sales ratios lessened in 1981.

/In the state industry the average age of mass produced articles is rather high: 16 years./ The share of products started in production in the past 3 years decreased from 17 percent to 15 percent; two-thirds of the products were started to be manufactured between 1951 and 1977, and the ratio of products older than 30 years was 14 percent, their share decreased a little relative to the previous year's.

In the past year more than a thousand kind of products' manufacture was discontinued in the state industry, the average age of these was 7.3 years. The average age of products discontinued in the topical year is spread between very wide limits, according to specialty branches (brewery--1 year, foundry--32 years). Of these products, nearly one-third was discontinued for reasons of streamlining, a fourth for uneconomical manufacturing, and a fifth for lack of raw materials or lack of orders.

Sales of the observed branches of state industry, figured in last year's prices, explanded by 5.7 percent, and the value of exports by 2.5 percent; within this, the value of products sold for rubles increased by 8.5 percent, those sold for hard currency decreased by 1.8 percent. Without presuming a cause and effect relationship between the change in a year's marketing and the up-to-dateness of the product structure, the coincidence is by all means more than simple chance.

In export, the products' modernity and age was somewhat more favorable than those sold domestically. The differences in the two exports' relation are considerable. In the case of products sold for hard currency, 4 percent was

new, 2 percent modernized, but their average age was very high, nearly 19 years. In rubel accounting, the ratio of products in similar groups of up-to-dateness was only 2 percent, respectively 1 percent, but the average product age here is much lower, 13 years. This large difference derives in part from the higher age of sectorial export products, but mostly from the relationwise divergent structure of our exports: while in rubel-accountable export the products of the machine industry dominate, among those sold for hard currency a considerable ratio is represented by the products of the less, or barely modernizable food and metallurgical industries.

The results of wide ranging international comparisons and domestic, product level investigations unambiguously indicate the two-sidedness of our industrial productive structure: /at subsector/ level it stands near the industrially developed countries, but on /product/ level it is not at all so modern (this is indicated also by the capitalist export's product structure), the average product age is high, their change is slow. /In the interest of increasing the competitiveness of our industry, our foremost task is the modernization of the product structure./ In main areas of development, in the assignment of subsectors, manufacturing branches, the international comparisons give some directions, but in the forming of industrial policy the realistic consideration of natural and economic conditions and their many sided utilization have the decisive role (thinking here, e.g. the development of machine and chemical manufacturing connected with food management, expansion of food processing, etc.).

Information given by statisticians can be helpful for those, who work out the future tasks of our industrial policy. The non-committal behavior of companies soon must be exchanged for a more aggressive development policy, time presses, holding the ground in the international competition and stabilizing the foreign trade balance can be lastingly achieved only by modern productive and product structure.

9918  
CSO: 2500/5

WORLD MARKET CONDITIONS FOILING BEEF CATTLE EXPORT PROGRAM

Budapest FIGYELO in Hungarian 23 Sep 82 p 13

[Article by Geza Rasko and Pal Szajko: "One Less Illusion?"]

[Text] In this country the increase of slaughter cattle production--and thus, also the increase of beef cattle stock--is determined by the export opportunities. The differing opinions about judging the economic position and future of the branch result most of the time from differing interpretations of profitability, excessive expectations attached to improving the production standards, and from the contradictory prognoses of the foreign market's demands.

Buyer Becomes Seller

We attempted here to uncover the main problems of beef cattle raising on the basis of actual operating results (data of 12 large operations with larger than average stock and with better results) and of the national average data.

Relying on international market information, the domestic prognoses prepared in the early 1970's judged that demand for slaughter cattle and beef will increase on the foreign market, and it can be sold safely and profitably also over the long range. It seemed that consumption in the Western European countries is increasing faster than their production. But these forecasts must not have considered the lasting economic recession occurring as a consequence of the energy crisis.

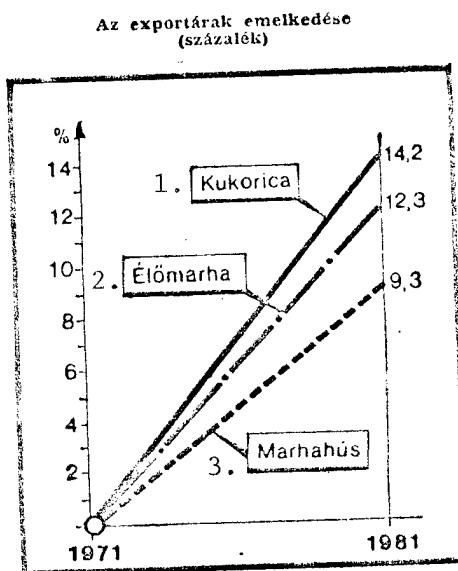
This is why, among other reasons, the FAO [Food and Agriculture Organization of the United Nations] could not materialize either, which by the end of the decade predicted 29.5 kg per capita consumption in the developed Western European countries, in contrast with the 26 kg that was actually reached (1980). During the decade of the 1970's per capita consumption increased by only 1.5 kg.

In the countries mentioned, the market was saturated much sooner than expected, as early as in 1974, and the EEC [European Economic Community; Common Market] has even become one of the world's most significant beef exporters since then.

This has also fundamentally modified the economic conditions of Hungary's export of cattle on the hoof and beef. Even though we succeeded in solving the problem of sales by penetrating new markets and increasing the radius of delivery, and the discovery of new markets and increasing the radius of delivery, and the discovery of new markets was also successful, the export profitability of cattle on the hoof and beef deteriorated.

The main reason for this is that export prices have significantly decreased, so much so that even in terms of nominal value the 1973 price level was reached only in 1979. Beyond this, slaughter cattle has also suffered significant losses of value on the international markets compared to feed (corn, wheat) and to other animal products (roaster lamb, mutton).

The continued rise in the export price of corn and of grain feeds in general-- to 1981--, which supply the basic fattening materials, must be valued as a noteworthy phenomenon.



[Graph 1] Increase of Export Prices (percent)

[Key to graph 1. 1. corn  
2. cattle on the hoof  
3. beef]

As a consequence of this, during the decade of the 1970's the "exchange ratio" of beef deteriorated by 30 to 35 percent on our export markets in comparison with the grain feeds.

According to the latest data the cost of producing beef-purpose slaughter cattle is more than 24.4 percent higher than the cost for milk and dual purpose slaughter cattle.

#### Expensive "Fun"

The high production costs and their capricious fluctuation have also influenced the profitability of beef cattle production within the enterprise.

The low profits of less than 3 percent on the investment, and the slow return do not make it attractive to invest capital in this branch. Especially not if new investments are needed to develop or increase the beef cattle stock, since the investment cost ofr space for each beef cattle is 7,500-8,000 forints even if built by the farm's own people. When this is increased by the weight of the appropriate livestock rotation, the complete investment cost per cow in the beef branch at this time exceeds 30,000 forints. If the operation wishes to expand its stock, it also needs about 30,000 forints per cow as revolving capital. (Only this much because the improvement receives 20,000 forints of state subsidy, as revolving capital supplementation.)

In most farm operations the increase of livestock is accompanied by more intensive grassland management, for which the machinery requirement costs 7,000 to 9,000 Fts per hectare--even without any irrigation equipment.

According to calculations made by the Agricultural Economics Research Institute, the financial requirements for increasing the stock by one cow exceed 80,000 forints at the branch level. Thus it becomes understandable that only the farms with strong financing can allow themselves to expand their beef cattle stock by larger numbers, without outside assistance.

#### In Last Place

Knowing that the majority of the grasslands acreage intended for the beef stock belongs to capital-poor farms with expressly poor given natural conditions, it must be expected that the "demand" for central financing tools will increase for more intensive expansion of the livestock than before.

It is reasonable to separate the fodder base into two sharply different categories: plowfields (feed grain, silage corn, and fabaceous hay acreages), and natural grasslands (pasture, meadow). Of the two, the plowlands have the definitive role since it can be used in several alternative ways. On the other hand, the grasslands can be used only to feed sheep and cattle, therefore its utilization alternatives are limited.

Under our present economic conditions it is reasonable to expand export-oriented production in agriculture in those branches where larger net foreign currency income can be expected from unit plowland areas.

Examining the net foreign currency income of the various branches from plowlands, the disadvantageous situation of the beef cattle branch is conspicuous when compared to sheep, hog, corn, or wheat.

From the national economic viewpoint the export of the above mentioned "competing" products was much more favorable last year than slaughter cattle export.

#### Even the Much Is Too Little

Such an economic analysis of raising beef cattle will in all certainty be a surprise and will not correspond with the earlier assumptions and expectations. That is, that the branch can relatively cheaply turn into valuable foreign currency those feeds which otherwise would be wasted. But since the beef cattle can produce relatively little and costly foreign currency only by making a "plowfield sacrifice", and since there are other, more advantageous utilization alternative for plowlands, the beef cattle branch is forced hopelessly into the background.

A few years of the past of this branch, and its present situation have also revealed the fundamental technological and economic contradictions. The difficulties are clearly concentrated around

--devaluation of beef on the foreign markets,

--feeding that requires plowlands, and

--low production levels.

Together, these main factors have caused beef cattle raising to stall and have an uncertain opinion in the national economy.

Of course, all this does not preclude beef cattle from being an economical alternative for utilizing grasslands and byproducts, but not in the way this is being done today! Production must be thoroughly transformed for this.

If the bulk fodder supply of the branch relied on pastures and byproducts, plowfield acreage for producing feed would decrease to half, or 0.5 hectare per cow. It is hardly possible to save any more plowland than this, since the fattening and propagation phases do necessarily require a certain amount of grain feed.

With the minimum plowfield commitment of about 0.5 hectare, slaughter cattle production per hectare would almost double, to 704 kgs--taking the 1980 production level for basis of comparison. The net foreign currency produced by the branch per hectare of plowlands could increase by 50-55 percent compared to 1980.

### Unbearable Cost

Increased propagation, decreased losses during raising, and slowing down the waste ratio of the cattle stock are part of the additional conditions for improving competitiveness.

By raising these important efficiency indices to the average level of the dairy and dual purpose stocks, specific slaughter cattle production could be increased by 18 to 20 percent, to 450-470 kgs per cow. With this,...[one or more lines are missing on translator's copy at the top of column 4. Something would increase to a certain level or amount, per "minimum" one hectare of plowfield, is my best guess of the missing text. Translator.]

Such not at all unrealistic performance would thoroughly change the economic chances of raising beef cattle and would also justify developing it over the longer range.

However, implementing the "competitive requirements" that define the two lower limits also creates new problems. First of all, there is the possible obstacle resulting from the given size of grassland areas. That is, it must be taken into consideration that the usable pasture area is hardly larger than 700,000 hectares. Even though it has higher production averages, the pastures are used for feed to raise the young livestock of not only beef cattle but also the dairy and dual purpose herds, and also for the increasing sheep flocks.

Even so, beef cattle raising can withstand the costs of only the least intensive grass production (including some chemical fertilizers and harvesting) without deterioration of its results.

With any more expenses than this (reseeding, care, larger doses of chemical fertilizers) the cost of slaughter cattle rises to over 60 forints per kilogram, which is well above the limits of profitability.

8584  
CSO: 2500/6

REALISM IN ECONOMIC PLANNING URGED

Warsaw ZYCIE GOSPODARCZE in Polish No 35, 19 Sep 82 pp 1, 4

[Article by Prof Mieczyslaw Nasilowski (Central School of Planning And Statistics staff; member of the Consultative Economic Council Presidium) prepared for the Council: "Let Us Plan Together--We Need More Realism"]

[Text] The draft of the 3-year plan shows more progress as compared with earlier versions. The progress pertains mainly to the descriptive part. All significant problems affecting short- and long-range development can be seen there. However, the problems are not always interpreted clearly and consistently, and the phrasing of some statements is doubtful.

Which Way to Balance

I seriously doubt that it is realistic to expect to regain economic balance, and especially market balance, before 1985.

According to the preferred variant, it is expected that industrial production sold will increase only 15 percent and agricultural output will increase 10 percent, while the national product for distribution--by 13 percent. It is estimated that the inflationary curve will equal between 12 and 14 percent of the planned delivery of goods. Even if we were to assume that the inflationary gap will be done away with, which is highly doubtful, the planned increase in market goods would not be sufficient to fulfill the needs resulting from the current increase in income (which is planned to equal 65 percent) and from so-called "delayed demand" in the inflationary curve. Even after the planned increase in prices by 50 to 55 percent by 1985, it still does not seem possible to balance the market, unless only current expenditures are balanced and the curve is left to gradually depreciate, as a result of the inflationary price increases. The resources of the population are known but the size of the inflationary curve is fluid because it depends on the tendency to save, which, in turn, is a function of the market balance and the stability of prices.

But even if we prescind from the unclear data given in percentages which are based on various premises and, therefore, cannot be compared, it is still doubtful that total balance can be achieved in view of the lack of fractional balance on significant markets. The question arises, if the inability to

balance meat, clothing, and shoe markets, and many other kinds of goods can be compensated for by significant increases in dairy products, produce, cosmetics, and production means for rural areas. Only partial deficits and surpluses can serve as substitutes for each other. Thus, the idea of total balance is deceptive, since it is impossible to achieve balance on basic markets.

It would be more realistic to admit that several years will be needed to balance the existing considerable deficit of market goods.

#### What About Real Wages?

I consider the lack of information on the projected increase in real wages to be a significant flaw of the draft plan. All previous plans contained detailed information concerning this subject. The public usually shows much interest in this aspect of the plan and it should not be the subject of doubts and conjectures.

Some data may serve as a basis for tentative calculation of wages. It is assumed that the supply of goods will increase under current prices by about 75 to 80 percent before 1985 but the increase in the population's income will be about 65 percent. There is also information concerning the planned increase in market prices during each of the years under the 3-year plan, as well as data concerning the increase in the volume of consumption goods supply. It is not known, however, at what rate average wages will grow in the socialized sector and for the rural population.

I think that, even if only on the basis of this data, a more detailed calculation of either the increase or the decrease in real wages and incomes should be conducted to enhance the validity of the claim that the gap between income in cities and rural areas should be decreased. The Planning Commission should take a univocal stand in this matter, and the difficulty with projecting should be of no importance. Neither should be the issue of the popularity of the outcome. An incisive analysis should be conducted to determine what changes are desirable and what is the balancing capacity of the national economy.

#### False Thesis

There are serious doubts as to the validity of the thesis that a considerable improvement in balance of trade with the second payments area will help start the process of paying off debts as early as in this decade. This thesis is usually supported by the claim that if a favorable balance of about \$3.6 billion is achieved before 1990, the decrease in absolute debt to the capitalist countries could start taking place no later than 1988.

There is no realistic basis for the assumption that during the next few years we will manage to achieve enough of a surplus of exports over imports in regard to the second payments area to make payments of the required interest and of the installments on credits possible.

It would seem that the easiest, even though perhaps not the most advantageous way to increase the tempo of growth and to shorten the time needed to come out of the crisis would be to obtain further credits and to defer the payment of debts and interest for the next 8 to 10 years. Even if we assume for argument's sake that we could obtain such additional credits without any political conditions attached to them, we should not forget that this would cause a further dangerous increase of debts. The problems would be alleviated for the next few years, but there would be an additional burden on the national economy caused by high costs after a dozen or so years. We should not count on becoming at some point in the future another Japan and hope that eventually it would be easier to pay off additional debts contracted today. Luckily, even the optimistic variant of the plan is not based on this illusory hypothesis, which, nevertheless, is popular with some people.

It should, however, be clearly stated that continued contracting of debts may be justified in the case when it would directly serve to increase production and export to a degree that would allow the payment of debts and the required interest and when the debts would contribute to increased production for the home market only credit that guarantees export could help come out of the crisis and alleviate our problems in the long run.

In this context, insufficient emphasis has been put on one of the basic contradictions in the draft plan, i.e., between the expectation and ability to increase per capita consumption (this, of course, includes wages and real income) on the one hand, and the necessity to increase the surplus of exports over imports in the second payments area, on the other. The rate of export increase adopted in the second variant of the draft plan (which is the preferred variant) is insufficiently documented. The continued push for the rate, even if it were possible from the point of view of production and sales, would drastically limit the increase in the national product for distribution. Also, it would be unrealistic to expect the return of the individual consumption level in 1990 to that of the precrisis level. On the other hand, the increase in the surplus of exports by limiting imports would lead to a considerably slower increase in the national product and, as a result to a slower increase in exports. This is a difficult dilemma that affects the degree to which the draft plan variants are realistic.

It would be possible to increase both consumption and surplus of exports only if significant progress is made in the area of management effectiveness, and especially through materials-intensiveness and energy-intensiveness of production. This is the key to the solution of basic contradictions of the macrorelationship of growth. It is possible to decrease evident waste of resources through correct functioning of systems-type reform. But will the expected progress in both materials engineering and fuel-energy engineering be supported by the size and structure of investment outlays and by the capacity to import materials- and energy-intensive technology?

## The Effectiveness of Instruments

First a thesis is formulated that there is a danger of insufficient simple reproduction of fixed assets in some subsectors and branches. Then it is stated that we should not allow the fixed assets to depreciate. The thesis assumes that depreciation is figured out for fixed assets recorded in old prices which would be lower by now. Thus, in many enterprises funds may not be sufficient to renovate used equipment and facilities bought on the basis of new, much higher prices. Since it is necessary to make the costs in self-financed enterprises more realistic, a new appraisal of equipment should be conducted. This, in turn, would make the size of depreciation more realistic. Under such conditions, the thesis that it is necessary to reproduce in all branches and enterprises the assets acquired as a result of depreciation allowances left to enterprises would mean that the obsolete production structure (that fits neither the new structure of objectives nor the new capacity to supply materials, spare parts, etc.) was made permanent.

Significant changes in the structure of production, which are necessary, will cause us to back out of some areas and, when technologically possible, to shift to the kind of production for which there is a demand. It will not be necessary to reproduce fixed assets in such cases. The question arises, if the enterprises should have their depreciation allowances left at their disposal. Perhaps, in some branches, it would be better to transfer, through budgeting, a considerable part of the allowances on behalf of priority development programs. As a result of such a policy, the depreciation allowances may become the instrument for restructuring fixed production assets.

There is another contradiction that was not given enough attention in the draft plan. It is the contradiction in the regulatory sphere, between the projected amount of the budget deficit up to 1985 and the system of incentives in enterprises. The system is tied to the principle of enterprises self-financing their development and the wage increases of employees. An optimistic thesis has been formulated concerning chances to do away with the budget deficit. All the possible ways to achieve this objective are listed, including the necessity to increase the share of the budget in the profits of enterprises. In the meantime, it is a known fact that the applied heavy graduated tax on profits resulting from the increase in the profitability rate and in average wages negatively affects material interest in increased production and decreased material costs. As a result, the state gains concerning the profit rate could be lost in total profits, and the input into the budget may even decrease. This is the paradox of the heavy graduated tax. The 3-year draft plan actually mentions a possibility of corrective measures concerning taxing principles, but the issue, so vital to the efficient functioning of the plan implementation mechanisms, has not been formulated clearly and precisely. As in many other cases, the treatment of this issue shows inconsistencies and even contradictions in reasoning.

Besides the already discussed contradictions in both realistic and regulatory spheres, there is also a serious and difficult-to-solve contradiction in the sphere of distribution. Strong public pressure to equally divide the very limited consumption resources will collide with the necessity to put in motion a strong incentives system based on management effectiveness. The principles of distribution might be undermined, however, by those who, to a considerable degree, control public order. Thus, this is an extremely serious dilemma, and the room for maneuvering is both limited and lacking in stability.

#### How Realistic Is the Plan?

The descriptive part of the draft plan constitutes, in a way, a manufactured "theory" to suit the central planners' intentions. The "theory" loosely corresponds to the tables contained in another part. The descriptive part has many propagandistic aspects, as evidenced by the above discussion. It is extremely difficult to make projections while there is not a single stable element suitable for solid extrapolation, on which a reliable plan could be based. In the situation in which our country has found itself, a certain dose of optimism is necessary. Without it, it is impossible to manage the national economy and the society. However, we do need a more realistic approach to planning.

The authors of the plan attempted to reconcile optimism with a realistic approach by creating three variants. I believe that those were their intentions. The fact that development strategy variants are presented should be viewed as progress. It satisfies recommendations made by economists for years. However, this has been, to a considerable degree, only formal progress. The presented variants are not sufficiently justified, not sufficiently based on the national economy's balancing ability. Furthermore, for some factors of production (e.g., investments) changes in outlays are not properly reflected in and justified by the expected growth rate of the national product. They are simply vectors of numbers expressing certain working hypotheses in the pessimistic, moderate, and optimistic variants. It is difficult to evaluate them because so many initial elements are missing. For example, it is impossible to check the inner correlation of numbers and proportions which in several cases seem very doubtful.

In order to achieve greater credibility of the draft plan it is necessary to make variants of projected trade-payments balance up to 1990, of investments balance, including structural freezing and commitment of investment resources (also up to 1990), and balance of the population's income and expenses up to 1985. Without these basic balances, any planning is suspended in a vacuum and become nothing more than wishful thinking. I believe that the balances should be worked out during the work on the plan and they should be made available to experts for evaluation.

The visibility of the plan depends largely on the determination of its point of departure. Despite appearances, the determination has been insufficient. For example, it is not enough to know how much income and production decreased, but also what influenced the decrease, and to what degree. First, it should be determined what the relationship is between

supply imports from the second payments area and the national product. After all, this is one of the main factors limiting economic growth. This procedure will allow the finding of a more realistic path of growth. In the first (pessimistic) variant, the draft plan assumes that in case of our insolvency and import-export restrictions imposed by our creditors, the growth rate of generated national income will equal 3.5 percent up to 1985 and 3.4 percent up to 1990. This so-called pessimistic variant contains a considerable dose of excess optimism. What resources for substitution and what other arguments have the draft plan authors at their disposal to resist a more likely hypothesis of long-range economic stagnation as a result of our insolvency?

The descriptive part points to the expected results of the economic reform, but, since there is no chance for reestablishment of normal trade and financial relations with the second payments area, the depth of the reform could be limited and its results questionable. The tendency to economic stagnation below the level of full utilization of the existing production equipment may be quite strong in view of generally stable employment and the level of investment outlays close to those in 1982, combined with a growing share of investment for restitution, as a result of the "investment echo" from the seventies. Import supplies will also significantly affect the program calling for completion by 1990 of investment facilities whose construction was started in the seventies and then interrupted.

Thus, the development strategy and the process of coming out of the crisis largely depends on import of supplies and for this reason projections should be based on a more incisive analysis. This goes for the optimistic as well as the more pessimistic variants.

In conclusion, the draft plan's descriptive section points to all possible and probably factors that could influence the growth rate of particular economic outcomes. However, there is not the smallest attempt to evaluate the effects of particular factors on projected dynamics. Furthermore factors that affect the growth of the national product have not been discussed. This needs to be done, because only on such a basis could the variants of the development strategy be made realistic--dependent on either success or failure of significant units of production.

The descriptive section rightfully points to the importance of the society's integration around the plan's tasks. It is the basic condition of the plan's successful implementation. The statements to this effect are to a considerable degree declaratory, since the planners could not solve socio-political problems. The solution is outside their range, so they simply pushed the unknown quantity outside the parentheses. Thus, the solution of the problems that will significantly affect the society's integration has been left up to chance.

The draft plan now presented for public discussion can and should be perfected. We should also remember, however, that its viability depends largely on factors outside of the purely economic sphere. We have to find the way to free authentic public motivation. Even the most optimistic draft plan variant will not accomplish this, and, by the way, the preferred second variant does not offer all that much. The society has lost confidence in all the plans and promises. The cycle of impotence will not be broken merely by showing people that their material conditions depend on work quality. The plan, if only for internal use, should show the authorities that the determinant of economic growth based on the higher effectiveness of production factors lies to a considerable degree outside the range of the central planner.

9959  
CSO: 2600/2

ROLE OF INVESTMENTS IN LONG RANGE PLANNING ASSESSED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 pp 1, 4

[Article by Teresa Gornicka]

[Text] What kind of investments can we afford? The assumptions of the three-year plan do not provide an unequivocal answer to this question. This is so not only because it is difficult to chart today the path of the development of our economic situation and, consequently, the basic premise for defining our investment possibilities, as represented by the distributed national income, can be of only a tentative character.

We do not find an answer to the title question in the assumptions concerning investments, even if we disregard these uncertainties and, in conformity with the suggestion of the [plan's] authors, regard as the most feasible the second variant of the plan which assumes average favorable development. The index form of the size and structure of investments can provide, at the most, a basis for visualizing certain intentions of the planner. On the other hand, it is difficult to visualize the key role of investments in this difficult period of the stabilization of our economy.

One could begin by expressing doubts about the macro-proportions between consumption and investments as assumed in the distribution of the national income. The three different proposals presented for this distribution--in the following variants: protection of consumption, protection of investments, and maximization of consumption--imply that there is considerable room for maneuver between a pro-investment policy and a policy which is based on relaxation of restrictions on the side of consumption. This room for maneuver is determined by indices, given in the assumptions, of the share of investments in the distributed national income; these indices range from 19.4 percent in the variant of protection of investments downward to 13.3 percent in the variant of maximization of consumption. It is true, the planner opts for the intermediate variant--that of protection of consumption, in which the share of investments is set at the level of 16.2 percent; but the choice of an intermediate index, in view of the other possibilities being indicated, does not explain anything.

Choice or Compulsion

One can say, with some justification, that under the present conditions, and given the present status of knowledge about [our economic] future, to argue

about indices is, generally speaking, to no purpose. However, if we assume that the concept which is presented in the plan is to be a basis for social consultation, even to such an extent as is possible under the conditions of martial law, and that this concept is to be presented to the Sejm for approval, then it must show as fully as possible all the realities and conditions which determine the planner's thinking. Our concern should be that any discussion be real and not feigned.

Thus, is the level of consumption, as assumed in the variant of protection of investments, a minimum level, and is the share of this consumption in the national income, as proposed in the variant of protection of consumption, an indication of a certain relaxation of restrictions? In a word--does a choice exist under the present conditions?

A clear answer to this question has a practical value for the determination of the investment possibilities which are of interest to use in this article. It is one of the figures which has to be established rather explicitly in the plan. For, as we know from our experience in the recent past, the so-called inauguration of the plan produces the worst results in this very area. Of course, everything depends on what will be there to be distributed. In the plan's assumptions, after all, certain premises indispensable for planning were accepted, and it is only these premises that can provide a basis for consideration.

Difficult times do not favor investments. If we employ comparisons which characterize our economy's effectiveness in this respect, then the variant of protection of consumption, which anticipates earmarking 16.2 percent of the distributed national income for investments and which the planner regards as the most rational of all, is the lowest index since 1960. Our trend away from the investment peak can be exemplified by the year 1975, very free in this respect, when the interest rate on investments jumped to 28.4 percent, and in the year 1978 it amounted to 26.1 percent.

The anticipated outlays in absolute figures will then be, when compared with the year 1978, even lower than would result from a simple comparison of indices. For, as is anticipated, the distributed national income in 1985 will represent between 3/4 and 4/5 of its highest level before the crisis which was attained precisely in 1978. The plan's assumptions include an estimate of outlays for investments, amounting to approximately 1 billion [sic] zlotys annually. Since these investments are already calculated in the new prices, they cannot be used as a basis for comparison with outlays in previous years.

#### Through the Prism of Objectives

Thus, during the next few years we will make few investments. However, if we assume that we must solve the dilemma of whether to protect investments or consumption, then we must first provide our own answer to the question: What role is to be played by investments in that plan for our country's economic recovery? And so, let us try to answer this question at least in the form of general considerations.

In the course of three years we want to implement, speaking briefly, three most important objectives: halting the decrease in production, attaining

economic balance, and activating the process of modification of the production structure. To what extent are all the three objectives conditioned by investments? In other words, will we attain these objectives more easily and rapidly if we try to preserve at all costs the level of investments?

Thus, the first question which we should ask is: Do investments have a braking effect on increases in production?

This is an academic question if we consider the extent of nonutilization of our production-type fixed assets, all the more so because--as stated in the plan's assumptions--there are no possibilities of fully utilizing the installed production capacities even in the year 1985, for various reasons, one of which is lack of raw materials; this lack is impossible to eliminate, because of import restrictions. Likewise, we have doubts whether during the time period under consideration it will be possible to fill the supply gaps resulting from the above restrictions through activation of no production capacities. This is, indeed, too short a period to enable new investments gaps. The objective--that of halting the decrease in production--does not favor protection of investments in the three-year plan.

Thus, indeed, it is possible at least to fight this argument with a counter-argument about losing the battle for the future which is to be enhanced by these investments. I will return to this matter later on.

The second objective--that of balancing our economy--likewise, does not favor the investment variant. On the contrary; the lower is the level of investments, the greater is the number of economic arrangements which can be balanced during a three-year period. This applies to many unbalanced arrangements which vex us at present. After all, a low level of investments takes the strain off raw material, energy, and fuel balances, let alone the import-intensiveness of the very process of the implementation of investments. And I do not mean only imports of technical equipment. To be sure, every new construction is linked to imports of some materials, for example, cable, without which it is impossible to construct anything today.

Moreover, there is a close relationship between the level of investments and the plan's assumption of attaining market balance within the next three years. The authors of the plan, it is true, do not promise complete satisfaction of the population's demand for some articles. However, it is possible--as they state in writing--to anticipate a tangible normalization of the market situation, a return to normal commerce which would eliminate the need to stand in lines, and a gradual abandonment of economic regulation systems. Many factors will determine the feasibility of this assumption; one of these factors, however, is precisely the limitation of the size of investments. As we know, every investment is a source of outflow of money to the market, and this money does not bring financial return in the form of a product until the investment has been completed and fully implemented.

Thus, from the viewpoint of these two objectives: halting the decrease in production and balancing the economy, the level of safe investment during the next few years will have to be fairly low, not so much by choice as out of necessity.

We still have to consider the third problem--initiation of changes and modifications in the production structure, which would insure the feasibility of the tasks and objectives which are stated in the plan's assumptions. In the present situation, the desired structure can be achieved through the method of lowering production in those areas which do not determine the economic balance, by shifting difficult-to-obtain production factors to those areas which determine our society's existence and survival. Nevertheless, this cannot be the only and long range method. Thus, we face a question how we can influence the elimination of these shortages while investments are being restricted. Is this at all possible?

#### The Basic Question

And here we are approaching the problems of the internal structure of investments. The plan's assumptions predetermine the orientation of the investment plan toward the main social objectives, that is, food and housing. A central decision is made to earmark 30 percent of investment outlays for housing construction, including grounds and facilities, and to earmark almost the same amount, 28 percent, for food production, including the food industry and the industry which makes production means for agriculture. Of the remaining 42 percent, outlays representing 6.5 percent of the budget have been earmarked for other areas of social consumption, namely, health service investments, education, culture, and science. 11.5 percent have been earmarked for the production of energy and fuels, and 24 percent for all the remaining objectives, including also industry (not part of the food and housing outlays).

Simultaneously, as is assumed, shifts between individual groups of investments will be occurring in this period. There is going to be a decrease in the share of central investments to the benefit of investments by enterprises, the field plan of action, and investments by the population, particularly in agriculture, housing construction, and services.

So much about the structure of investments as defined in the plan's assumptions. It is not difficult to foresee that these assumptions will be vigorously debated. This is understandable, because it is the assignment of limited resources to individual objectives that makes us realize the extent of these limitations. Likewise, in the preferential areas of our economy, i.e., in agriculture and housing construction, in view of the enormous range of needs, these outlays do not augur any noticeable progress. In issue No. 33 we published material by Waldemar Michno, giving an exhaustive treatment of this problem with regard to agriculture. Soon we will publish similar material pertaining to housing construction.

Clearly, no one has to be convinced that today in Poland precisely food and housing represent the category of the most urgent needs which cannot be deferred to better, post-crisis times. These are investments which build the material basis of social stabilization and whose importance cannot be overestimated in this process. At the same time, we cannot avoid the question whether, under the conditions of an economy which is oriented toward overcoming a crisis, such a distribution of resources will pass the test of practical application.

Thus, let us ask this principal question in a straightforward manner, because the initiation of a debate on this extremely important issue allows us to

realize its broader ramifications which penetrate into the deep core of our economic policy. In my opinion, it is necessary to speak about two main conditions which guarantee the implementation of these social objectives. First, to what extent will investment decisions during the next three years terminate investments which have already been started; and second--and this is probably the determining condition--what method will the central planner adopt to eliminate infrastructural shortages, and not only to define eligibility criteria for investments now being accepted for implementation.

In the plan's assumptions there is no clear formulation of the problem of investments which were initiated in the 1970s. Thus, it is difficult to have an idea to what extent these unfinished investments will affect the plan's schedule. If our present commitment to these investments is estimated at an amount which exceeds the three-year outlays (already after deducting those investments which have been totally terminated) then, as is assumed, in 1985 this commitment will decrease to two and a half times the yearly outlays.

The current situation in this area is described by the decision of the Council of Ministers [RM] which is contained in the resolution of 31 May of this year. It follows from it that 116 investments, with a cost-estimate value of 129 billion zlotys, have been totally terminated. On the other hand, 27 investments, with a cost-estimate value of 147 billion zlotys, are earmarked for resumption after the year 1983. In the case of 79 investments of enterprises and budget units, with a cost-estimate value of 55 billion zlotys, their speedy resumption is regarded as purposeful; a proposal has also been made to resume 74 investments, with a cost-estimate value of 37 billion zlotys, after altering their material scope or their assigned purpose. The size of the investment commitment, or the outlays which we will have to make during the next three years in order to complete these investments, is not estimated in the new prices. Thus, it is difficult to tell how these assignments will encumber the investment account of the new plan.

These uncertain premises, of course, cannot be the basis for exact calculations and absolute conclusions. The purposefulness of continuing already initiated investments can be examined on a per unit basis according to various criteria. Even with a moderate commitment of resources but with a high foreign-exchange intensiveness of production, further continuation of such unit investments may prove to be purposeless. In the ever changing situation of our economy--unfortunately not for the better--verification of previously made decisions must take place.

There is no doubt that the general calculations which were made during the formulation of the concept of the three-year plan, brings this problem again to light. For, if the matter of freezing of investments becomes the departure point for investment initiatives during the next few years, then, it is true, the extent of losses from terminated investments will diminish; but then it will not even be possible to initiate the process of creating a new economic system in our country. These are, predominantly, old-type investments. What is also important is the fact that losses resulting from the freezing of investments are losses of outlays already made. But, above all, by committing ourselves to these investments we will be unable to activate effectiveness mechanisms through a change, as I have defined it, in the planners' methods of elimination of shortages.

This idea needs to be developed further. But let us return once more to the structure of investments.

In the plan's assumptions, 11.5 percent of investment outlays are reserved for the fuel and energy complex, while 24 percent have been reserved for all the other objectives including also those of industry (with the exception of food and housing). This itemization with regard to the distribution of outlays, however, does not provide much of an explanation.

Of crucial importance here would be, first of all, an arrangement of outlays for production objectives, which would then be divided into central investments, field plan investments, and investments by enterprises. The extent of commitment to central investments would influence the structure of the outlays according to the criterion of the length of the implementation cycles of the investments. Central investments are, by their very nature, projects with long implementation cycles, and their share of the total outlays does not change radically from year to year. As we learn from the data of the National Bank of Poland [NBP], last year 40 percent of credit plan resources were used for central investments. Thus, we have a very large commitment in this group. As announced in the plan's assumptions, under the conditions of the reform some of these investments will be shifted to the field investments group or the group of enterprise investments; however, just a change in designation does not alter anything. On the other hand, a conclusion can be drawn from this that in the plan structure's very modest resources have been earmarked for investments by enterprises which, by their very nature, are short-term projects.

Central investments cannot be limited through a simple method of budget cuts, because their purpose is, first of all, to balance infrastructural shortages of energy, fuels and also of materials, in the group of materials which is of strategic importance to our economy. And this is self-evident. However, in our economy a one-sided method of prevention of growth of shortages of this type has evolved; it consists in adding ever new investments to the existing infrastructure. It is true, the need for actions aimed at decreasing the demand for these basic production factors has been frequently discussed, but it has never become the basis for the construction of plans.

In recent years, the most energy-consuming and material-consuming construction methods have been put into practice; the bulk of investment outlays has gone to industries (among them, the metallurgical industry) which consume precisely those hard-to-obtain production factors and thus favor capital-intensive investments of the infrastructure. This has resulted in a lack of funds to finance projects, frequently small in scope, which are aimed at decreasing the consumption of energy, fuels, or the most important materials. In the housing area alone we are losing at present, as a result of having neglected the basic principles of thermal insulation, heat energy which is calculated by experts in millions of coal annually. Countless examples of this kind could be given.

A reversal of this vicious circle of investment stimulation can occur only when the central planner adopts an iron-clad rule of preventing shortages, by using investment resources for the improvement of the efficiency of equipment and technology with the aim of reducing the consumption of these hard-to-acquire production factors by those who utilize them. This is an extremely important and instrumental role of the investment plan, which is lacking in the assumptions.

This method of preventing shortages, however, increases in the plan's structure the bulk weight of investments by enterprises. At the same time, a question can be asked to what extent it will be possible to implement this centrally oriented concept in a reformed system of management, when the enterprises themselves are able to make decisions regarding their own investments. Here we come to the mechanisms of the reform, which ought to be adapted to such a concept. These mechanisms must provide for preferential treatment of or even reward (e.g. through tax credits) for the initiation of this type of small-scale projects. For this type of investments we ought to make available the resources of the credit plan, provide the necessary supplies, and even bring these investments to the attention of the executive apparatus of the construction industry.

Our considerations about the future of investments, as is evident, do not lend themselves to optimistic conclusions. It is not difficult to imagine how the existing restrictions will be transformed in practice into numerous problems related to the restoration of production-type fixed assets, to the filling of gaps in co-production, leaving unmentioned the expected equalization of various disproportions in field arrangements. There are good reasons for the concern of technical and scientific milieus about the future of a country which for several years will be deprived of the possibility of making larger investments. The drastically reduced possibilities of investment imports threaten to rapidly widen the technology gap between our country and the developed countries. In the latter instance, our chances to attain the world level have been limited for a long time. While during the ten-year period, 1971-1980, without regard for anything--including also, unfortunately, the export capability of our economy--we were able to afford investment exports amounting to 15 million dollars, such a small country as the Netherlands purchased investment goods for the same amount in 1980 alone.

In view of this, opinions are voiced that the only way out for our economy, for our technology and science, and the only way to fill the gap is, from a realistic viewpoint, reliance on modernization investments, mainly by enterprises. Such a premise is a logical one, but only on condition that strong incentives are created to encourage enterprises and people to initiate this type of actions. This will take time; but at some time or other, it will be necessary to initiate such processes. The scarcity of investment resources may make this necessity a genuine opportunity.

In these years of investment drought, we are losing many battles and we are certainly making our future less bright. However, let us not forget that we are still facing the question which is the most important one for our national existence--how to win the battle for the present while saving what we can for the future.

9577  
CSO: 2600/947

LABOR REFORM IN ENTERPRISES REVIEWED

Warsaw ZYCIE GOSPODARCZE in Polish No 32, 29 Aug 82 p 9

[Article by Miroslaw Bunta: "Enterprise Reform (4): Labor Management"]

[Text] Enterprises independently define the level, structure, and forms of employment, and also the size of the emoluments fund, its forms, and the principles underlying the provision of bonuses to workers, in accordance with financial possibilities and needs. However, studies show that, in practice, there are many restrictions on the employment and wage policy of the independent management of enterprises. Many enterprises await a basic change in the principles underlying emoluments.

Despite incomplete utilization of manufacturing capacity, supply deficits, and other difficulties, the enterprises polled are not interested in restricting employment. Only in one enterprise was there a reduction in force caused by a decline in production. At the same time, only in one enterprise, part of the fruit and vegetable industry, did employment increase in connection with the fact that newly activated establishments reached their planned production capacity. In all the other enterprises one observes a tendency toward a decline in employment in the first quarter of 1982 as compared with 1981, but this decline results primarily from the early retirement or routine retirement of a certain number of workers. These retirements solved the problems resulting from the need for possible dismissals dictated by production conditions.

In the employment structure, either there have been no essential changes, or the employment structure has deteriorated to the detriment of direct production workers and auxiliary workers (for example, cleaning women). To attract workers in this group, enterprises in the machine engineering industry are anticipating significant changes in the wage structure.

Enterprises do not perceive a need to restrict the overall magnitude of employment, but the number of white-collar workers, especially administrative and office workers, decreased as a result of the unfavorable employment structure in four enterprises in light industry. At the same time, there were changes in the organizational scheme of the enterprises (elimination and joining of organizational elements). Among the basic external restrictions on the independent management of employment policy are the following:

--binding regulations regulating the procedure for hiring and firing workers. The enterprise must continue to obtain the agreement of the employment department to hire new workers. In the case of an enterprise in the machine engineering industry, stipulations from the employment department concerning manual laborers are formal--consent is obtained for the whole group of workers; but to hire white-collar workers, permission must be obtained in every individual case;

--the lack of workers in particular professions in the local labor market. The enterprises must have a policy of attracting direct production workers, a policy hampered by the existence of obsolete rate scales and wage tables. The lack of workers in particular professions leads to the tolerance of irregularities in the work of persons already employed.

In certain cases one can also observe internal restrictions concerning the employment structure, caused by the immobility of the work cadre, the inflexibility of the wage system, and the disinclination of workers to perform certain types of work considered "inferior."

In 1981 in most enterprises there were no changes in wages except for those resulting from general regulations. Obligatory resolutions concerned: an increase in payments made for severance pay, an increase in the percentage rates for anniversary prizes, and changes in the amount of allowances for work experience.

In establishments within the chemical industry there also were wage changes due to the introduction of industrial branch allowances amounting to one zloty per hour and to the calculation of the master's and director's fund based on this higher rate.

Only in a small number of the studied enterprises was the increase in the average wage in 1981 due to the enterprise's initiative. In one of these enterprises, the bonus was increased for white-collar workers, indirect production workers and white-collar workers were reclassified, and the wages of piece-workers were raised. In another enterprise, to make the establishment more attractive, they increased the bonus for production workers by 5 percent and increased the wages of white-collar workers one level.

In 1982 no basic changes have been made in wages, among other reasons because the enterprises are afraid of the financial consequences and are having difficulty specifying them. They also are approaching the problem of wage increases carefully on account of the overburdening of the FAZ [Vocational Activation Fund]. All of the polled enterprises believe that this overburdening is very serious and that it allows only for the autonomous growth of the average wage (acquisition by the workers of the power to receive allowances for having served loyally a full term of years) while it does not permit an active wage policy--one including promotions and reclassifications. The enterprises are doing their calculations very accurately so as not to exceed the designated growth limit for the average wage, since then the workers would count on payments based on prize money. Of the 30 polled enterprises, only five had a deduction for the FAZ.

In the first quarter of 1982, average wages increased mainly as a result of central decisions, independent of the enterprises, for example, as a result of an increase in the coal allowance from 55 to 200 zlotys; and in establishments within the chemical industry they increased even more on account of the introduction of an industrial branch allowance amounting to 2 zlotys per hour. In an enterprise in the fruit and vegetable industry, governmental decisions (a pay raise for the lowest wage earners) and ministerial decisions (a change in the wage table) influenced the growth of wages. Only in two enterprises was there a reclassification of workers to the higher group or table.

Active shaping of the level of the average wage is limited primarily by the obsolete wage tables and rate scales. There is a need for reform of the wage system in order to create the proper motivation for workers. There is a generally perceived need to introduce new rate scales; although some enterprises do not want obligatory rate scales, others prefer intraestablishment rate scales. There are also enterprises which want to abolish these rate scales.

The new rate scales are being awaited to establish functional order, to standardize the wage structure, to decrease the number of wage elements, to assure that norms are being exceeded in concrete ways, to leave maneuvering room for the enterprises, and to provide the possibility of advancement for "low" workers. Periodic changes in the tables allowing for the rise in living costs are recommended.

The approach to the new rate scales of one of the enterprises in the chemical industry branch is very interesting. According to this approach, these scales should:

- provide framework guidelines concerning the whole industry, without subdivision into industrial branches, with an adjustment for division according to professions;
- give the director the authority, within the framework of elaborated assets, to use a higher category ranking above the rate scales for 10 percent of the work force;
- introduce the principle of a one-component basic wage in the case of workers paid monthly.

The beginning of the new approach to wage policy is the elaboration in many enterprises of regulations providing incentive bonuses. The bonuses should be dependent on actual work achievements and should not, as has been the case until now, constitute a permanent addition to the basic wage. Not all enterprises use a recognized bonus yet, but many of them have worked out new incentive bonus regulations making the payment of bonuses conditional on the performance of designated tasks or even on going beyond the performance of these tasks.

New bonus principles take into account the reduction in first costs of production and the increase in work efficiency. Depending on the enterprise, they

concern the entire work force, only functional or white-collar workers, or direct production workers as well. In some enterprises, the payment of a bonus is dependent on the evaluation given by one's superior.

In those establishments in which there is a high rate of absenteeism, it is proposed that a summary bonus be awarded for full use of the work hour during the month or even the year.

Much more remains to be done in the field of employment and wage policy. For the enterprises to be able to shape this policy freely, according to the needs arising from independently established tasks, it is necessary primarily to update the wage tables and qualificatory rate scales which have been devalued in the majority of cases. Without this, there cannot be any talk of reform of the wage system. At the same time, the enterprises should be given greater authority in shaping the magnitude of employment by restricting the influence of the employment department and through changes in some paragraphs of the work codex. It would be advisable to elaborate mechanisms for attracting direct production workers, a shortage of whom exists in the local labor market, since the practice of letting some enterprises outbid for workers from other enterprises and the lack of discipline permitted in establishments are intolerable. Wages should be tied tightly to work results. Therefore, it would be necessary to introduce remuneration based on the smallest possible number of components. At the present time, the basic wage represents a small percentage of the worker's remuneration, a fact which does not inspire workers to do good, efficient work. The progressive taxing of the increase in the average remuneration also has an anti-incentive effect. The enterprises have to make a choice between benefits for the work force and income sent back to the state. Most often, actions prevail which do not permit deductions for the FAZ.

The sole positive element in the management of the work force is the elaboration by the enterprises of principles providing incentive bonuses for workers.

8729  
CSO: 2600/937

OFFICIAL FEARS HESITATION IN TURNING ECONOMY AROUND

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Croatian No 1657, 3 Oct 82  
pp 12-14

[Interview with Zvone Dragan, vice chairman of the Federal Executive Council, by Scepan Rabrenovic: "A Change of Political Orientation in the Economy"; date and place not specified]

[Text] "To speak about a change of orientation 8 years ago, 5 years ago, or even 3 years ago is not the same as to speak about a change of orientation to-day. We no longer have the time to pledge ourselves to a change of orientation, we must begin it. And we have pledged ourselves to it often enough: after the 10th and 11th Congresses of the League of Communists of Yugoslavia, after the constitution, and again after the resolutions of the Presidium adopted November 1979, when we knew that we would have a huge payments deficit, to say the least."

This was the response which Zvone Dragan, vice chairman of the Federal Executive Council and the man who is most responsible in the federal government for development policy, made in answer to our question about what has been happening after all the fanfare with the turnaround in economic and social behavior.

[Question] There are quite a few people who say that we still have time and that we should not hurry with the turnaround.

[Answer] No, we do not have time. We have a large disproportion in the economy, not only among sectors, but also within sectors--primary, secondary and tertiary. And we also have a large disproportion between the economy and non-economic activity, which is oversized in view of society's financial capability and the level of the productive forces in labor productivity. All these disproportions have snowballed over the years, and one realizes that we also have a high level of indebtedness, then it is no surprise that we should be in a situation of repaying debts out of current income, export earnings, since our foreign exchange reserves are not exactly unlimited.

The bills for those debts are coming in, they represent a heavy mortgage on us, and we face the majority of those bills because of the disproportions in the economy and in society and because of our economy's autarkic development. All of these large bills, some of which go back many years to disproportions and

errors in our numerous development policies, dictate that we change direction, and we can no longer put it off.

#### No Protection for the Weak

[Question] What are all the things we must do not only in our behavior, but also in the system and in economic policy, for a change of orientation to be even possible?

[Answer] One of the essential conditions is that we be willing to pay the price and make the sacrifices required by that change of orientation, above all in consumption. And that without mercy--by hook or by crook. After all, the situation we find ourselves in does not allow us to behave otherwise. The sooner we realize this, the better for everyone.

But curtailment of consumption is not the only bill we will have to pay. This is only one of the bills; we will have to pay a larger one in the form of more work and higher efficiency. And less of the easy life. That is in fact the real bill.

Yet more important than that is for us to really open the door as an organized self-managing society to the impact of economic laws and market criteria on economic behavior. We must do more than merely talk about these laws and criteria, more than talk about them as though we had only now discovered them, but we must open the door wide to them at all levels--from the basic organization of associated labor, up through the opstina, the republic and province, to the Federation. So that their presence is felt everywhere. And we must, of course, be prepared for the consequences of the impact of economic laws and market criteria on economic behavior within the country and abroad, abroad especially.

The first consequences of the effect of those laws and criteria would be selection: the one who invests intelligently, whose development conforms properly to the laws of those criteria, who has high productivity, will certainly fare better. Those on the other hand who will seek salvation in protection from the state, whether it bear the name of the opstina, the republic, the province or the Federation, who seek salvation in a linear economic policy aimed at the average, which always has too much of the "law of the average," rather than the law of value, it will be much, much more difficult for them.

[Question] Even among those who declare themselves in favor of the turnaround there is no consensus on the speed at which we should commence that turnaround: some are for it to be slow and gradual, while others want a faster change of direction, regardless of how many there will be of those who will fall off at the first sharp curves.

[Answer] I am aware that there are different views as to the pace at which we ought to carry out the change of orientation. Some scholars and economists say that we need a radical change of direction within a time frame of 1 to 2 years, with major incisions in material relations and indeed in the system as well. Others on the other hand feel that we should emerge gradually from the

present situation, step by step, that we first need time to adapt to the new situation, and then we would alter the structure on the move in order to get out of our present difficult situation.

#### The 7-Month Year

I personally feel, and I would personally opt for essential changes in a short period of time--in a time frame of 1 to 2 years, since I am convinced that we cannot allow ourselves the luxury of gradual adaptation and constant postponement in view of the situation we find ourselves in. We were late in adapting to the first and second energy crisis, in adapting ourselves to the crisis situation on the world capital market and to changes in monetary relations in the world. Now I think that for us Yugoslavs the year no longer has 12 months, but perhaps 7 at most. The time has come when we must reorganize ourselves quickly, much more rapidly than most people think....

If we were to undertake the change of orientation slowly, if we should be content with small and partial results, not only would all that be prolonged, but I think that we should not be able to pay all the bills that have come in. I am not thinking here literally of the bills in foreign exchange and dinars that have come due, but rather of the bills to be paid, say, for mistakes in investment policy. Those failures cannot be corrected overnight solely through the goodwill of self-managers or by government decree. Certain mistakes in heavy industry or the hypertrophied manufacturing industry, which has been oriented almost predominantly toward a false domestic demand stimulated by inflation, are truly major ones and now represent a substantial burden on us, but we must live with them, though not with all of them, since some of them we will have to liquidate as soon as possible.

If we look at the character of our industrial output, then it is clear to us that we cannot rapidly change our orientation toward exports. Our industry is what it is with all its pluses and minuses. It is not possible for us at this point to have some altogether different industry. To be sure, in terms of what has been installed in industry, we have quite a bit, but we have quite a bit which was mistakenly installed and which was installed in the wrong place--governed by a mistaken conception of development. That is why we cannot anticipate any spectacular results in a period of 1 to 2 years in the sense of general changes in the structure of the economy and the qualitative factors in the conduct of economic activity.

The turnaround we have been speaking about is simply not possible unless economic policy and the economic system, that is, its mechanisms--from the foreign exchange system, by way of prices all the way to the credit and monetary system--consistently respecting economic laws, stimulate in development policy that portion of the economy which is capable of extricating us. We politicians cannot be at the head of that maneuver to change direction in just the words we utter, we cannot extricate the economy and society from the present situation with conventional activism, but in the short run, and also in the long run as well, we can be extricated by those who even now are so organized that their production and economic performance is optimal or by those who have the capability to rapidly adapt through mutual linkage to the impact of

economic laws and market criteria governing economic behavior on the unified Yugoslav market and especially on the world market.

#### Crisis as a Goad

[Question] Doesn't it seem to you that even the change of orientation is being driven more by distress and less by conscious will and an awareness of how large the troubles are?

[Answer] I could, of course, even adopt that interpretation of our endeavor to overcome the present difficult situation, but it seems to me that even our awareness about the true situation is no longer restricted anymore. Not only do we have tendencies that bode a crisis, we even have certain features of one. Of course, we cannot yet speak of a conventional crisis, since in conventional crises there is a large drop of production, in conventional crises we have almost total unemployment, several times higher than the unemployment rate at present, and inflation in the conventional crisis is measured in rates that exceed 100 and 150 percent. But it is certain that we have even now certain features of crisis and certain contradictions which are very exacerbated and which have the content of crisis. That is why we must quickly eliminate those contradictions and take effective command.

It is precisely that subjective awareness, the awareness of our own position, and also the awareness of the necessity of changing direction that is actually working in favor of the turnaround. Beyond that we are already aware that in the change of direction we must pay a certain price both as a society and also as individuals.

[Question] When can we expect the change of direction to begin in concrete terms, that is, when can we expect changes in economic policy and the mechanisms of the system?

[Answer] The very fact that we do not have the time to work on a long-range basis and that the time frame and material framework are limited for a gradual change of course, we must do some things immediately, and some later on. I would divide all this into three stages.

First, certain things we would have to do no later than 10 October, and there are two reasons for that. The first is for us to seize upon and extract from this year the very most that can still be taken from it, so that we have the smallest possible deficits; we already have a great many of them to carry over to the next year, so that we have as small a current burden as possible, since we already have quite a sizable burden from the past which for years will be a mortgage we will have to carry. But the most essential thing is in current developments not to allow those minuses to proliferate.

In addition to that, it is quite clear that trends are normally carried over from the last quarter of one year into the first two quarters of the next. In the case of exports above all. And if we wish to have better performance for exports in the first quarter of the next year than we have had in the first quarter of this year, then we cannot adopt certain economic policy measures on

31 December of this year, but they must be adopted earlier so that the economy has time to examine the possibilities and conditions under which export transactions would be conducted. In October we also should know what sort of situation we will have with petroleum in the coming year and above all guarantee the necessary quantities of petroleum to the end of this year, and we ought to know what kind of monetary and credit policy, foreign exchange policy and price policy we are going to have.

The second stage ought to end no later than the end of the year, and it would set in motion the anti-inflation program on which consensus has already been reached in the "Krajger commission." In actuality this anti-inflation program and the other documents comprising the stabilization program will have to be translated into mechanisms and instruments of economic policy, and that means that certain existing laws would have to be revised so that the mechanisms of the system are a function of the change of direction.

In the third stage we would have to amend and supplement and complete certain parts of the system and on that basis the set of instruments of economic policy measures, all those things which we cannot put in order so quickly, since if we were to do this quickly, then it would be improvisation. In this stage we should undertake further and more thorough elaboration of the mechanisms of the system. For example, the monetary and credit system requires more thorough reassessments, and it is not the only one, we must be clear about what is what, but we cannot wait long for lengthy debates--life is moving on, and the problems are becoming still more acute.

In actuality the third stage would contain everything that ought to be gradually put into action along the line of the change of course which cannot be achieved so quickly. After all, even a much more advanced economy than ours adapts painfully to new criteria governing economic behavior. That is why we will nevertheless need a somewhat longer time for many things.

The most dangerous thing would be if we were now to believe in a fata morgana, which is exactly what our belief in slack gradualism and mincing steps would amount to. It is already late for that. We are still unfortunately in the domain of general principles. The criticism of those who have made bad decisions is anonymous, authentic differentiation in terms of political ideology in the struggle for the change of direction is still in front of us. Self-management can be confirmed historically only if it is reproduced in an expanded form, and that means that the material base of society also grows steadily. No one can deny anymore the interdependence between self-management on the one hand and economic laws and market criteria on the other. A self-managing society will be a responsible society only if economic criteria are adopted as the basis for decisionmaking and behavior, rather than some subjective criteria and subjective improvisations.

#### There Will Also Be Vacillation

[Question] Economic laws and market criteria governing economic behavior, indeed the impact, the free operation, of those objective laws and those criteria, signify that what have up until now been centers of power, political,

statist and otherwise, will be divested of their power. Won't these centers attempt to take power back again when the first serious social crisis arises? We are not putting this question to you only as the vice chairman of the federal government, but also as a member of the Central Committee of the League of Communists of Yugoslavia.

[Answer] Regardless of the awareness that we cannot go further without the operation of objective economic laws, there is a danger that the subjective forces, including the members of the party, will vacillate even in the first conflicts on one of the barricades of the battle for the change of course. After all, let us be clear about this, the conflicts will not be solely of a social nature, the selection will hit all those who have been less productive, less able, who simply refuse to adapt to material truths and the operation of economic laws. I am convinced that there will also be vacillations and conflicts of a political nature.

Today, for example, we have an enormous degree of administrative regulation, perhaps more than any time over the last 10 years, with many things which operate adversely across the board. And there will be conflicts with administrative regulation at all levels, conflicts with those who stand behind administrative regulation, who for years have made a living from the logic of that kind of behavior, who have been the proponents of that logic. That will be one barricade, a high and difficult one, and the battle on that barricade cannot be won without political conflicts and without surgery and regeneration in the personnel field.

Another high barricade on which there will also be unavoidable conflicts is the meddling of the bodies and agencies of sociopolitical communities and the government and also of political factors in development decisions and business decisions of organizations of associated labor. As things stand today, those structures are like patrons of the economic entities. Agreements are reached today on key issues between three or four people in the opstina or republic or province, or decisions are made by so-called political aktivs, to which a few strong enterprise directors are added.

To go further, there are quite a few monopolies large and small in personnel policy. We have here simple criteria according to which the most important thing is an individual's attitude toward the leadership of the opstina or republic, not the kind of work he does and the attitude he has toward work and toward socialist self-management.

I believe that the change of course will have a very important social and sociopolitical dimension, but one thing is certain: we can no longer behave lackadaisically, and that is just the way we have behaved. We are entering difficult years. But most dangerous of all would be for us just to moan and spread defeatism. We also have objective conditions and a great number of able workers and specialists. And it is high time that we consciously and rationally set all that in motion toward a radical change of direction. Indeed it is that which must be the backbone of that change of direction.